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ABSTRACT

The Special Subcommittee on Education of the Committee on Education and Labor of the House of Representatives, Ninety-third Congress, conducted an extensive series of hearings with regard to the operation of Title IV of the Higher Education Act, the statutory basis for most Federal student financial assistance programs. Five informal seminars were held, covering a wide spectrum of opinion, initiative, and technical advice relative to eventual legislative action. This document is the transcript of those seminars. The seminars invited individuals with personal expertise and experience to try to answer the question, What would be the ideal student financial aid package? The document also contains analysis by the College Entrance Examination Board of the language of Title IV and regulations promulgated thereunder, in an effort to identify the technical problems (inconsistencies in the use of terminology, conflicting requirements for eligibility and the like) to which the Subcommittee might turn its attention. (Author/KE)

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ED 099729

STUDENT FINANCIAL ASSISTANCE
(Seminars)

SEMINARS
BEFORE THE
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES
NINETY-THIRD CONGRESS
SECOND SESSION

PART 9

SEMINARS

HEARINGS HELD IN WASHINGTON, D.C.,
JULY 2, 3, 10, 11, AND 15, 1974

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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Congress of the United States,
House of Representatives,
Committee on Education and Labor,
Special Subcommittee on Education,
Washington, D.C. November 22, 1974.

Hon. Carl D. Perkins,
Chairman, Committee on Education and Labor, Rayburn Building, Washington, D.C.

Dear Mr. Chairman: During this Congress, the Special Subcommittee on Education has conducted an extensive series of hearings with regard to the operation of title IV of the Higher Education Act, the statutory basis for most Federal student financial assistance programs. We have conducted thirty days of formal hearings, in which we have taken testimony from students, organizations representing virtually all of the postsecondary education community, the financial aid profession, and officials of State and Federal agencies involved in student assistance. These hearings are in the process of being printed and made available for public distribution.

In addition to this effort, however, the members of the Subcommittee have undertaken two other efforts to provide a record on which a wide spectrum of opinion, initiative, and technical advice can be spread out before the Committee and the House and to which we can look for information when we take eventual legislative action.

The first of these efforts involved five informal seminars to which we invited individuals whose personal expertise and experience entitled them to be heard on the question, "What would be the ideal student financial aid package?" In these five sessions, of which a transcript was kept, these individuals freely exchanged their own ideas with each other and with Members of the Subcommittee. They were assured that their names would be kept confidential, but that with that understanding, the transcript of the seminars might be printed.

In addition to these seminars, the Subcommittee asked the Washington office of the College Entrance Examination Board if it would undertake to look at the language of Title IV and the regulations promulgated thereunder, in an effort to identify the technical problems to which the Subcommittee might turn its attention while rewriting Title I—inconsistencies in the use of terminology, conflicting requirements for eligibility and the like.

In undertaking this assessment of the existing law, the College Board utilized the services, in addition to its own splendid staff, of two people well known to this Committee. One was Dr. Alfred B. Fitt, Special Adviser to Yale University. Dr. Fitt has testified before the Subcommittee, and has frequently offered his competent and perceptive advice. The second was Mr. George Skinner, who, for many years, as a member of the staff of the Legislative Counsel of this House, was for many of us, on both sides of the aisle, a sort of benchmark of legislative competence. Many of us, on this Committee and other Committees of the House have for years instinctively felt that a draft couldn't be entirely relied upon "unless Skinner has looked it over." George Skinner, Mr. Chairman, has more than "looked over" the CEEB paper.

The College Board paper, somewhat incidentally to its major purpose, and the seminars, quite centrally to theirs, make policy suggestions with regard to the possible shape a new title IV might take. It is clearly understood that the data and the suggestions in both of these documents are solely the responsibility of, and express only the opinion of, those individuals who made them (though I would want to emphasize that they were made by individuals who speak with the authority of expertise and demonstrated competence), and in no way represent the opinion of this Subcommittee which has not reviewed, approved or rejected any of these suggestions. With this disclaimer firmly in mind, I request that these documents be printed supplementing the hearing record on student financial assistance—to be of such background use as seems appropriate to the Subcommittee and the Members who will deal with policy issues in this field.

Very truly yours,

James G. O'Hara, *Chairman.*

STUDENT FINANCIAL ASSISTANCE

(Seminars)

JULY 2, 1974

Mr. O'Hara. I don't have a gavel today because this is a nonmeeting. And it is a nonmeeting for I think very good reasons. It is because we want the informality and the give and take we can get from a free discussion without having to speak for our organizations or our constituencies of one kind or another, but simply to think out loud. On 5 successive days during the next 3 weeks, groups like this will meet here to discuss informally with members of the Special Subcommittee on Education, what the members of that group think would be the ideal title IV. Those who are sitting down with us have been urged to set their own budget limitations, to define whatever goals they believe title IV should follow, and to concentrate not on what they think can be enacted. Obviously the Congress is going to have to consider budget limitations and political practicalities. But we ought to do so in the light of what people who have demonstrated their individual competence and insight think is the ideal to be sought. This is not to say, however, that you are confined to that. Obviously you can take into consideration how much you think is going to be appropriated.

One more point, there are no witnesses before this meeting, no one is speaking for his association, institution, or anyone else. You are all going to offer us what you believe will be the ideal, not what your organization or your constituents think. And that is the reason we are conducting this meeting in this informal fashion, the reason for the closed doors, and the reason we have assured you that although we may some day print these proceedings for the use of the committee members, we will delete your names and all references to your associations and institutions.

Mr. Dellenback. Jim, may I ask a question on this procedure, just so that we are straight, because I am not sure that I get it quite clearly? Is it expected that anybody who contributes, we or any of the other participants, will not be quoted—are we affirmatively saying that we will not quote them? Or are we affirmatively saying that if they ask, we will not quote them, or are we saying really we will quote you at some time down in the future. I don't know that there is anything that is going to be said that they wouldn't want to be quoted on, but I just want to be dead sure of the ground rules so that I don't abuse any confidence on the part of anybody if there be any confidences that are given.

Mr. O'Hara. It is my intention that we would simply agree that we are not going to quote them unless we later seek permission to do so, and get that permission.

Mr. DELLENBACK. I have just so many times had somebody at a meeting understand something differently than the way somebody else understood it and trouble arises, not out of an advertent breach of confidence, but out of a misunderstanding as to what the ground rules were under which the meeting took place.

Mr. O'HARA. Well, I think we would be better off if we simply agree that we aren't going to quote them, unless we separately sought their permission to do so on a particular issue and then obtain that permission and if there is no objection—we are of course trying something new. I don't know if it is going to work or not. But I have hopes that we can get more genuine interchange of ideas and more real ferment this way than we can in the more traditional ways, and even if we don't, I think it wil have been worth trying. I know that your appearance here suggests that you are willing to make that investment of time and effort to make the legislative process work a little better. I would like to start off by asking A to open up the meeting with a few comments.

A. I want to thank the chairman. I also want to commend you for the rather unprecedented set of hearings that you have been holding during the last several months. It is an unusual phenomenon for a committee or subcommittee of the Congress to legislate or think about legislating well before it has to.

As you mentioned in your memo to us, there are a number of alternatives that we could consider for title IV. One is simply to change the date on the legislation and extend it. I would certainly hate to see that happen because I think there are too many problems within title IV. Another approach is simply to refine the legislation clarifying the objectives and working out some of the administrative difficulties and indeed a number of the inequities that exist in the current programs. Such an approach would tend to follow the congressional actions of 1968, when after the milestone legislation of 1965, 1968 legislative action clarified and refined the 1965 legislation, particularly in the student aid area. Or as I hope we'll do here today, we could suggest some major and basic changes in title IV. During most of your recent hearings, the emphasis regrettably has been on refinement or minor change of the legislation.

Few witnesses have suggested the elimination or even consolidation of some of the programs now in title IV; few have suggested new interrelationships among the programs or revised missions for the programs. I consider that our task today. You asked me to lead off, to be a provocateur. I intend to do just that and in the process I hope my opening remarks don't provoke the chairman too much.

I should like to mention two somewhat perplexing issues or themes that have occurred and reoccurred during the earlier hearings. Each of these will help to set the stage for some of my recommendations.

The first issue is that Federal policy should be neutral, or Federal student aid programs should merely attempt to ease the burden of paying the bill for anyone who wishes to be educated. As the chairman has often said and no one can quarrel with him "each educated person adds to the society." I would, however like to underscore something that Horace Mann said well over 100 years ago when he called education "the great equalizer of the conditions of men—the balance wheel of the social machinery." If that is still true, as I believe it is, then the primary objective of Federal policy toward postsecondary education must be to provide opportunities and to focus programs on those individuals whose social and economic conditions can be most improved. Dating back to the Morrill Act, to the GI bill, to the programs of 1965, and the landmark legislation of 1972, it certainly seems to me that a basic philosophy and major thrust of public policy toward postsecondary education has been the equalizing of opportunity for postsecondary education.

I am going to couch my proposals on that goal, but also I am going to do something else. I, like the chairman, am very much aware of the plight of the middle class and the difficulty that all parents these days seem to have in meeting the expenses of postsecondary education, though I will focus and not lose sight of the unfinished business of our times, the achievement of equal opportunity—and I shall also have some proposals and recommendations for change in the programs that should help a new class of people who are in need of assistance.

A second issue that has pervaded the hearings concerns the pricing policies of postsecondary education, and the relationship of these policies to the Federal student assistance programs. I'll ask a question on the chairman's favorite theme—low tuition. What is low tuition? Is it simply the maintenance of the status quo in pricing? Perhaps the argument over pricing policy and particularly low tuition may stem in part from a lack of definition of the term itself. I raise this issue not to join in the argument over pricing policies, but rather to stress that too often in discussions of low tuition or of any kind of tuition and its impact on access to postsecondary education, we lose sight of the fact that most of the costs of attendance to students, especially students in public institutions are nontuition related expenses. I think you have received, and I will be coming back to this little table, a listing of the noneducational costs of college attendance.

AVERAGE (MEAN) NONINSTRUCTIONAL COSTS (ROOM AND BOARD, TRANSPORTATION, BOOKS, ETC.) OF COLLEGE ATTENDANCE (ACADEMIC YEAR 1974-75)

Type of institution	Resident costs	Commuter costs
Public 2-yr college	$1,866	$1,635
Private 2-yr college	2,039	1,709
Public 4-yr college	1,859	1,544
Private 4-yr collage	2,080	1,603
Proprietary school	2,166	1,763

These are the nontuition and fee costs to students for the academic year 1974–75, costs reported to the College Scholarship Service. They provide a picture of what the nontuition related expenses are of college attendance. These costs will become increasingly relevant as I make some suggestions for revisions in the basic grants program.

I would like to focus my discussions on the grant programs contained in title IV and as everyone here might expect, emphasize the basic grants program. I am not going to focus on loans, for loans could consume all my time. I simply wish to say that I commend to the committee a number of the very good recommendations for changes in the loan programs that were made last week by Margaret Gordon of the Carnegie Commission. She talked about the many problems posed by variations in interest rates in the two loan programs, the length of the repayment periods for both programs, and certainly the lack of access to the loans (particularly the guaranteed loan programs) for certain groups within the society. Perhaps during our later exchange, we'll conclude that we probably only need one loan program, and that loan program would be neither the guaranteed loan program as it now exists nor the NDSL program as it now exists. Instead, we might consider a new structure, a new lending institution or new methods of making loans available to students.

Before going into the grant discussion, I would like to play devil's advocate for a minute with I think the committee's favorite program, and perhaps the Congress's favorite program in title IV, and that is the college work-study program. I am very much aware that you have had applause for this program from just about every conceivable quarter, applause from students, from institutions, from employers, even the administration which didn't see fit to put its money on any other of the college based programs singled out work-study for funding, perhaps because it believed in the work ethic or other reasons.

Mr. DELLENBACK. Just be careful. It is alright to criticize the chairman's pet ideas, but just be careful now.

A. Why was there so much support for college work-study? I'd like to challenge the program as it currently exists, and suggest an alternative approach to work and study. While I am oversimplifying, it could be said that students like college work-study because it appears to be a form of student assistance, an accepted part of the student aid package of grants and loans and work. They need not seek employment, instead institutions find them jobs. Employment is the source that is now most frequently used by students to finance their current educational costs. Fifty-five percent of all full-time students and 50 percent of all part-time students have found their own jobs and are employed.

Yet I should point out that only 10.8 percent of all full-time students and 6.6 percent of part-time students who are employed are employed through work-study. Now admittedly this could well be a function of the low funding of the program, though, as you will see, I don't feel that that is the only reason. Full-time students who work in noncollege work-study programs earn on the average about $300 more during the term than full-time college work-study students. Part-time students who are employed earn $700 more than part-time students on college work-study. These data may explain why there are probably more students employed outside of work-study. Institutions and employers like college work-study possibly because 80 percent of the costs of employing individuals in necessary or perhaps unnecessary jobs is paid by the Federal Government. In addition, college work-study students are often cheaper labor than any other labor. I ask therefore who is receiving the subsidy? The students, or primarily institutions and employers? While there is nothing wrong with subsidizing institutions and nonprofit organizations, I ask if that was the intent of the program.

In my view, work-study is not a student aid program. It is a form of employment, or payment for services provided, and college work-study students should be treated no differently from other students who use work as a method of meeting the college bill. But they are treated differently. For one, the earnings of a college work-study student are taxed at a 100-percent rate. In other words, if work is filling the student's need gap at a particular institution, all of his or her earnings are applied to the costs of education, or each dollar earned through work-study is taxed, as I said earlier, at 100 percent. On the other hand, a noncollege work-study student who was a wage earner, may not be required to apply all of his earnings to the higher education bill. For example, if a full-time student earns $950, the average term earnings of a full-time student, and his need gap at that institution happens to be $650 and he chooses to save $300 that can be applied to his expenses during the ensuing academic year, those savings would be taxed under the current needs analysis services at approximately 30 percent. Work-study emerged as part of the poverty legislation; it was moved to the Office of Education and was focused initially on low-income students. While the low-income provision in college work-study was deleted in 1972, the law still says "preference shall be given to students with the greatest financial need." I contend that if work and study are beneficial to students in the greatest financial need, then it might well be beneficial to all students, and curricular-related work in particular might well benefit all students irrespective of need.

In my view, CWS should be transformed from a student aid program based on need to a type of cooperative education program available to all students rich and poor, dependent only upon their interests in combining curricular related work with study. The subsidies received by students should not be considered student aid but instead as earnings and treated exactly like other student earnings. This will, of course, increase the costs of the program, but we are here to talk about the ideal, not necessarily the real.

Now I should like to move to the grant programs. As I noted earlier, my focus will be on these programs. I would like to recommend that the supplementary educational opportunity grant program be made a function of the basic grants program. Let me explain what I mean. To be effective, the basic grants program has to be arbitrary and treat all students equally and provide horizontal and vertical equity. As a result of this arbitrariness, some students, approximately 5 to 10 percent of the current recipients of SEOG's, would be losers even if BOG's were funded fully. Of the current EOG recipients, 3.3 percent of the dependent students would receive smaller BOG's or no BOG. Among the independent students, 4.1 percent of current EOG recipients would be losers of grant assistance if BOG's were fully funded. I'll be liberal and suggest that we add an allocation to the appropriation of BOG's of at least 10 percent, for use in a SEOG type program. This amount of money would seem to provide institutions of postsecondary education with the kind of flexibility in making grants to students who lose under BOG's and also provide institutions the flexibility to provide additional opportunities for grant aid to needy students.

Mr. DELLENBACK. Let me ask a question to be sure I understand. You are saying that if BOG is fully funded instead of striking SEOG completely, you would still continue this. You are not talking about the 10 percent over and above that which is in SEOG now?

A. No. I am talking about if BOG's were fully funded at whatever figure. Let's use $1.5 billion. We would have $150 million for a SEOG-type program. I would, however, certainly distribute and allocate the funds to institutions in a way very different from the way moneys for that program are now allocated. It is possible that we could distribute a proportion of that money to institutions based upon the number of BOG students that they have. Another portion would be distributed on the basis of the particular needs stated by institutions. But I certainly hope that it would not go through the process of State allocations so it would be a somewhat modified program.

Now to the basic grants program. The reason you have, as I mentioned earlier, this little table on noneducational costs of college attendance is because I should like us to consider the possibility of relating the BOG program exclusively to the noneducational or noninstructional costs of college attendance.

Although very few generalizations can be applied to the gamut of American postsecondary education, it can be said that traditionally instructional costs have been borne by a combination of State, private donor, and family resources; noninstructional costs have been borne by families, students and in recent years by Federal student aid to some students; and that the costs of students' time has largely been contributed by students in foregone income or foregone earnings. In suggesting that the basic grants program concentrate on the nontuition, on noninstructional expenses of attendance, I am underlining that tuition policies and pricing policies for postsecondary education are perhaps most responsive to the actions of States, and pricing policies for postsecondary education are perhaps the hardest thing for the Federal Government to legislate. This is not to say that other Federal programs should not continue to take into account both the instructional costs to the individual as well as the noninstructional costs. We should, for example, continue to give consideration to an expanded State scholarship incentive program for it would seem to be an appropriate vehicle for Federal grant assistance in helping to cover instructional costs. At the same time that grant program (SSIG) can provide institutional choice to students and create a new partnership between the States and the Federal Government. Under my proposed basic grants program, the maximum grant for basic grants would be pegged to the average of the noninstructional expenses of students. Just looking at this table and taking a rough cut, we can see that I would like the grant ceiling to be increased from its present level of $1,400 to at least $1,600 or $1,800.

The average noninstructional expenses for 1974–75 is somewhere between $1,600 and $1,800, in just about every sector of postsecondary education, including the zero tuition community college. By raising the ceiling on the grant with or without a change in the current BOG contribution schedule, we would in addition—and I can explain this more fully later if you wish—increase the pool of eligible students for the program. With each $200 increase in the ceiling, the family income eligibility appears to increase by about $800. Hence, if the grant ceiling were $1,800, the income eligibility would no longer be cut off at about $11,500 or $12,000; instead, families with incomes of about $14,000 to $15,000 would become eligible for the basic grants program—using the current family contribution schedule for the basic grants program.

Second, in any case, I would eliminate the half cost and half need provisions from the program, whether or not you accept my recommendation of relating BOG's to noninstructional costs. There is no question that the half cost and half need provisions are most detrimental to the lowest of income students, the neediest of students.

There is a particular logic for eliminating half need and half cost for my BOG's proposal because we are really not talking about total cost or total need. We are simply talking about a portion of the costs of college attendance. The noninstructional costs under this proposal, if a family can't cover, let's say $1,800 of the noninstructional costs, the students would receive the difference between the maximum grant and what he and his family can contribute.

Third, I believe these recommendations lend themselves to a far simpler program. I do feel strongly that the family contribution should be so simple that students and parents can understand it, and have some early knowledge of their entitlement. In addition, it would seem appropriate either to eliminate or tremendously liberalize the asset aspect of the contribution formula since in my particular proposal no one would reasonably expect parents to divest themselves of assets in order to meet current living expenses of the student. Essentially, I am suggesting a type of voucher scheme or true entitlement. The student would get a chit after filing his BOG application since the amount of the entitlement is simply average non-instructional costs minus family contribution upon enrolling the student for payment or credit against his expenses. I feel that this is a simpler system, and at the same time it eliminates much of the operational difficulties and demands of the current program on institutions. In addition it sustains the traditional financing roles of States and keeps the Federal Government's basic program from influencing pricing policies. Pricing policies are probably best left to the States.

Mr. O'Hara. Well, A, you have really succeeded. You have provoked us into thought. I have to compliment you, that was an excellent job. I have been thinking of separating the tuition and living costs in a somewhat different way. You will recall Father Findlay of Fordham came up here. His proposal was grants for tuition cost. I think only a part of them though—he would have permitted—as I recall—don't blame him. I may be misquoting him—50 percent of tuition costs from Federal sources.

And then, loans and work-study for living expenses, and you come at it the other way around—in other words, let's say you are a Californian and you are eligible for a BOG and you can go to Stanford or you can go to the local community college for nothing, and it is then you have to worry about getting a job. If you choose to go to Stanford, you have to worry about getting a job or getting a loan to pay the tuition, the additional cost of going to Stanford. Either way you get the same amount of subsidies through the BOG program. That's a very interesting proposal.

A. I must not take full credit for this. I think that there was a hint of this a year or two ago in "Setting National Priorities" of the Brookings Institution, so there may be other people who will come before you who feel much the same way as I.

Mr. O'Hara. We'd like to ask the other members of the panel to comment on A's proposal and to make their own suggestion.

B. Can I just raise a question about the tuition pricing? What would be the process as you see it of the differential effect on private and public institutions in terms of the States—I guess what you are proposing is some kind of an offset system for tuition.

A. Well, one of the things which I have always worried about in the BOG's program as it moves toward full funding is it could be a stimulus for all institutions to charge at least $2,800. In fact I recall only too well that 2 days after the legislation was passed, representatives from two State systems came into our office and asked, "When would it be appropriate for us to raise the costs of the public 4-year institutions in our State to $2,800?"

B. In other words, that would be the companion piece, a massive funding of postsecondary education in terms of pricing of tuition.

A. Well, I think there are other programs and other methods to deal with tuition. If the student now gets $1,400 under the basic grants program, it can be applied to tuition, to living expenses, to anything. Under my proposal the grant could also be applied to any expenses, but as a distributional mechanism, as a concept the entitlement would be based on average noninstructional costs. There are and should be ways to finance tuition. There are loans, there hopefully would be the SEOG type program that I mentioned, a different kind of work-study program, and certainly, I think, an expanded State scholarship incentive program.

Mr. Gaydos. Let me ask you a question. What happens if the student drops out? Does the same thing occur?

A. Yes. I would say that you would pay the student semiannually as you do now.

Mr. O'Hara. Well, I think you could get around that. The room and board charges at the typical university are spaced so that you pay in two or three installments, if you choose to during the semester or whatever.

A. The money could be issued that way.

Mr. O'Hara. It could be issued the same way. And if you stop going to school you stop—the other way around you stop getting payments.

Mr. Gaydos. As I understand that business where the chit is issued to be used with the institution that has on-campus resident facilities. If the student makes a choice, he has a certain amount of credit that he is going to live off campus or he does what he wants to do, he can hitchhike to school, he can make riding arrangements with five other students. He can do anything he wants, and he can use those funds for anything he wishes to use them for, and if he is hooked on something he may well divert those funds to taking care of his habit while he is making his appearances in school in another way, through some other method. These are all possibilities, you see. And the one exceptional case becomes a general rule. That is the problem, you see.

A. But I think the model for this is essentially the GI bill, where the money goes directly to the student on a monthly basis.

Mr. Gaydos. Are you talking about the present GI bill or are you talking about the past one?

A. The present one.

Mr. O'Hara. It goes directly to the student on a monthly basis.

Mr. Gaydos. There is a little different consideration of the GI in the public mind.

A. Well, I think we can find abuses in any program.

Mr. GAYDOS. Well, I think that it is imperative on our part here to hopefully fuse together some kind of a program where we have a minimum of abuses.

Mr. O'HARA. I predict one of them will buy a red Corvette.

Mr. GAYDOS. Let me ask a practical question. As I interpret your remarks on the work-study program, correct me if I am wrong, I think your remarks and observations kind of portray a decided feeling against a student working and studying at the same time.

A. Oh, no. I think you may have misunderstood. I feel that a student working and studying in curricular-related work is very excellent. In fact, I recommended essentially a cooperative education-type program where either you work and study at the same time or work for a while and then study for a time. I think it is such a good idea to have curricular-related work. Essentially, I was suggesting an expanded work and study program for everybody.

Mr. GAYDOS. Well, let me ask you what was your alternate, you suggested an alternate? I didn't quite catch it.

A. We would not consider work-study a student aid program, but a kind of cooperative program that would be available to all students regardless of financial need. It would probably be a kind of categorical grant program to institutions. Students on campuses who wish to combine work and study—and hopefully the institution would have set up some kind of meaningful combination of work and study—could find employment that is curricular related and earn money. Earnings would be treated just like earnings of other students and not every penny would have to be applied to the cost of attendance at that institution.

Mr. GAYDOS. Yes; but you raise the question in your presentation as to who is benefiting from this work-study.

A. Well, I am talking about the current work-study program where institutions and employers are probably benefiting more than kids.

C. Not at all. That's one concern that I don't have. I am much like the Congressman in that I need a chance to reflect on some of these things, but I don't take any great exception to what A has said. I think A has some excellent ideas and some very good concepts. I guess the biggest concern that I have to A's work-study recommendation is A's emphasis, and A has come back to its several times so I know it was not an oversight upon the curricular relatedness of the work. I can't simply accept the fact that that is so essential for it to be meaningful and worthwhile to the student. In the first place, I don't think we can provide that many curricular-related jobs to students in the liberal arts and so on. There just aren't that many you can identify. And one of the reasons that the present work-study program has not been as successful as many would like to see it in this respect is, that for an entering freshman or sophomore without any previous work experience, without any particular academic exposures as yet and majoring in liberal arts, a department can only hire so many test graders or lab assistants. So I think there is a practical problem in trying to make it 100 percent curricular related.

A. I concede that.

C. I am also not sure I agree with A's conclusion that the institutions and the employers are the chief beneficiaries of the subsidy. They certainly do benefit. But, I think the students do also, and I think it is important to bear in mind the kind of student that has primarily benefited from the college work-study program is the kind of student who might well have great difficulty getting work on the open market because of the absence of these past kinds of experiences and skills. When you are dealing with low income students primarily and work study has traditionally done that and continues to do that even though those blinders have been taken off somewhat. It still predominately employs students with very low, socio-economic background, and consequently very limited work experience and qualifications to compete in the open market for employment. And I think it does serve a very specific and necessary role in that respect, in that it creates work opportunities for students who might well have considerable difficulty getting work on their own. As A very legitimately points out, a lot more students find work on their own than resort to the work study program. But, I think those that do utilize that resource do so because there is a need for them to have assistance in that respect. I would, I guess, come at it in a little different way. But, let me make a couple of observations about the BOG recommendations. I think there is a lot of truth in what A says about tieing the BOG to the noninstructional costs, and I hope you will change your chart and make it noninstructional and not noneducational cost, because they are very much educational.

You use the words interchangeably and so I knew you are aware of it, but I make the observation anyway. I think it does make some sense to tie basic grants to the noninstructional costs because what we are really trying to do is to provide every student with the same base be it from parental support or from basic grant support, so that they are all starting on the same step on the ladder with respect to access to the top row. And given the variability of the instructional cost charges, tieing it solely to that certainly would be inappropriate, and I want some time to mull over all the implications that that brings, but as an immediate reaction it sounds like it has some possibilities. I certainly have no objections to the proposal that the SEOG allocation process be changed, but there are some inherent problems in doing away with the present system which we have tried to relate in our testimony. I want to make sure we think that one through very well before we make any changes in it. Let me just make about four general comments and then lay on a proposal to you.

One of the reasons that—in our testimony we made almost no reference to massive revision was my understanding that we wanted to concentrate in the first set of hearings upon the present law. So we directed ourselves almost entirely at that not meaning to imply that we thought nothing more needed to be done than dotting the i's and crossing the t's in the existing programs, but that that is what you wanted us to deal with.

We did make one recommendation in spite of that understanding, and that was to urge you to consider consolidating some of the programs. We just think there are too many involved. And when you start talking about five Federal loan programs for students each with different procedures and regulations and laws, it is very difficult for students, for parents, and financial aid officers, and Congress to keep them straight. And it seems to me that we could do a tremendous service there to illustrate that point in a very current situation we are faced with a health professions and nursing loan programs; whose authority expired June 30, with no legislation enacted yet and hundreds of health professions and nursing kids not having the slightest idea what kind of funding they are going to have for next year. And yet I can find very little justification for treating them differently than other kinds of students studying other kinds of things except that historically it has grown up that way, and historically the health professions and nursing lobbies have wanted to keep their funds segregated because they thought they would get a bigger piece of the action if they did. Quite frankly, I think they have lost out as a result. But they now have a continuing resolution to continue the programs as they are until September 30, which is fine in some programs, but with student aid it is an all or nothing kind of thing. You either make the commitment for the funds for the entire year or don't have any at all.

And I am trying to get them to determine just which they are saying by extending them to the 30th of September. That is perhaps a digression but I think it illustrates the need to consolidate the program so that the committees that are working on them are more aware of the problems that you encounter, and I mean no disrespect to the other committee dealing in those areas but the student aid portions of those pieces of legislation are a very minute aspect, as far as they are concerned. And they have not really considered all the implications of what they are doing or not doing upon students. So I would definitely urge that we consolidate into one, perhaps two, student loan programs, maybe a subsidized one for students with need and a loan of convenience program, although I am not ready to take exception to A's suggestion that we could do one program and make some sort of distinction between the two within the same program. I think it is not only the loan programs that need consolidation because we also have nursing and health profession scholarship programs, we have BIA educational programs, we have law enforcement programs. The postsecondary commission findings were what—80 some programs or 80 agencies that have student assistance of some type. I know there are a lot of political implications, and specific committee interests and so on, but it would be a tremendous aid to the youth of the country if those could be consolidated and pulled together.

Mr. DELLENBACK. C, may I ask a question on that? When you talk about the consolidations, are you talking about the kinds of consolidations that we have where there is a carry-over in utilization of SEOG funds in connection with CWS or something of transferral between types of aid or are you saying that the narrow categories or grants to this kind of help versus this kind of education should be shattered.

C. The latter. I don't think it should make any difference what the student is studying, he ought to have access to resources to pay for that if that is required. It should not make any difference whether he is studying veterinary medicine or pharmacy, and this is another quirk because while there is one health professions loan program and one health professions scholarship program, internally there is a distinction between whether it is veterinary medicine or osteopathy or doctor of medicine or dentistry or whatever. So, if you start adding those permutations you can see why financial aid officers get confused.

Mr. **Dellenback.** May I ask one further question, if I may, Mr. Chairman, on this because in any of this kind of questioning I don't mean to be argumentative, I just really want to find out what it is you are thinking? Are you saying that there should be no categories of priorities? I think part of the reason categories of aid grow up is because the Congress thinks that is a special thing that ought to be given some special help. Now, I happen personally to think we have put too many boxes together by far. In asking how far you really mean to push this, would you say it doesn't matter whether you are talking about training for a medical education or for pure liberal arts undergraduate, it doesn't matter? They are of equal value. If you want to be a basket weaver, that is just as important and you should get just as many dollars as to create a special kind of highly technical education in a very much needed field. Are you saying that or are you saying that there should be categories, levels, priority?

C. I think obviously there has to be some sort of priorization of national needs here. I think some of the inducements that we have built into the system to try and alleviate manpower shortages and so on have, missed the mark in some respects, and secondly may not be nearly as much needed as they were at the time those pieces of legislation were introduced. And I think we have seen a lot of evidence, for example that the cancellation provisions in NDSL really had very little impact upon the teacher shortage, for example. I am wondering rather we should explore some new methods of doing what you're saying of providing sufficient inducements to enter shortage fields rather than tieing it to student assistance.

I don't have any ready answers for you and I recognize the context of your question that we may not want to make assistance as readily available or available in as large amounts for different kinds of educational experience. Although I am not ready to concede that entirely, I think it can be handled in another way.

D. On that point, I think that it is relevant how little effect these special pockets of incentive money have had on the actual distribution of students. Back during the 1960's when there was a tremendous investment in scholarships for mostly scientific fields, there actually wasn't much of a shift in the proportion of Ph. D's turned out over that period. And that suggested that just a fellowship as a means of providing incentives for people to go into fields where you assume that there is some special national need or national shortage may not be the best way to go about this. Career opportunity students' perceptions and things like that have a much more powerful effect on the distribution of people by field rather than simply the provision of fellowship, and that in turn suggests that the philosophy of directing fellowship support in philosophy toward the support of the student no matter what he wants to do may be a sounder public policy and basing it heavily on presumed national needs as the criterion for the distribution of the money.

C. If fellowships don't do the job, then loans sure in the world won't, in terms of shifting that sort of thing. A couple of other general observations that I would make and then I will move on to my recommendation. Going along with my comments about consolidating, I think we have got to look for greater simplicity in the programs. The current programs have so many, not only stipulations in the legislation itself, but in the regulations, and I know the chairman is concerned about that aspect and I am sure Mr. Dellenback is too, that they become very inefficient in their administration and in their comprehension, and here again I don't have an already designed answer to this problem, but they have become so cumbersome to administer that it is one of the reasons that institutions feel it necessary to clamor for administrative expense and things of this nature because it takes an inordinate amount of time and effort to keep the machinery in operation because of these things that have grown up both through the law and through regulations. In that respect, I guess I would like to urge the committee to give some consideration to the provision of training resources. I have heard Congressman Dellenback on a couple of the occasions at least indicate that one of the reasons he has been supportive of basic grants in addition to, or perhaps even in place of supplemental grants is because of the higher reliance that the latter has on the expertise and know-how of the financial aid officer. And I couldn't agree with him more about those kinds of concerns and reservations.

I would suggest, however, that when other kinds of shortages of experienced personnel have faced us as a nation and as a congress rather than restructuring the delivery system and saying instead of having doctors in the field we'll pool them all in the State capitol and dish out prescriptions by computer or we'll pool all the legal talent in the State and have everybody come to the State capitol or to Washington for it. We have said, by golly we have got to get more trained personnel out there and so we do manpower programs to provide the necessary training and expertise to do the job the way it needs to be done. Yet in this particular instance, it has been suggested that we get around all that inexperience and lack of expertise by developing some new delivery system, and I just question the long-range effectiveness of that because I would maintain until my dying day, that the only way to completely respond to the financial needs of students is to be able to sit down across the desk from them and deal with them on a one-to-one basis and work out with them what their real needs are in a way that you can not accomplish in an agreeably consistent but very mechanical and mechanized fashion. So, I would urge the committee to look at that aspect of lack of expertise and experience and knowledge, by simplifying the program so that it doesn't require a Ph. D. in logistics in order to administer the programs that are there, and also to consider providing along with funds for supporting students to provide for the adequate training for those people who have to administer the programs to the students' benefit. Let's see if there are any comments in that realm and then I will make a more definitive proposal that coincides with some of the things that A said.

Mr. DELLENBACK. Does anybody have a reaction to C's comments?

STAFF. Could I ask a question going back to the exchange about work-study. You said a lot but there is something that intrigued me there because A went to the very basic premises of the work study program. Does anyone know what kind of jobs are provided by the work study program? Has anyone ever studied that?

C. Sure. There is a book about this thick that Columbia did and I don't have a copy along, but they have categorized the job very completely.

STAFF. What did it say? Could you summarize it? Where are the bulk of these jobs? What kind of jobs?

C. There are—I think it goes without saying—jobs that are not curricular related. There are kids that are washing dishes and clearing tables in college dining rooms, and washing test tubes in laboratories, and doing things that it would be rather difficult to relate directly to their academic program. And the study makes the evaluative interpretation that there is too much of that going on and that more of the work ought to be academically related. Yet, it acknowledges that there is a lot of good, constructive, academically related work going on, and that more could probably be done if there were additional resources to expand the program so that a larger proportion of the jobs were off campus rather than on.

And that requires not only resources to fund students but also requires resources to develop those kinds of employment opportunities. In just glancing over some of the materials handed out here, there was mention about the need to expand the work study program and to provide for better administration and better supervision of the students, and I would concur with that aspect.

E. What was the difference in level, also. I know an institution where 80 percent of their work study money is provided by the institution. Virtually, all of it is through graduate teaching assistantships. So that as you move from freshman level on up, you have got a great shift in the work study experience.

A. That raises an interesting question as we have been looking at a legislative review which is something we hope to have for the next round of hearings, I mean looking at the technical parts of the legislation. The phrase that work study will give preference to students with greatest financial need could be construed to mean the graduate student. Because, indeed, at the moment, those are the students eligible for work study who perhaps have the greatest financial need, and I just raise this as an issue and a question. Whether it was really thought of primarily as a program directed to graduate students, the language of the law might actually suggest that.

C. It depends on how you define greatest financial need. Some people would say that since graduate students already have one degree in hand and are more employable as a result that undergraduate students that their need for employment is not as great as the student without any postsecondary skills and experience. So, if you are dealing strictly in financial need in a financial sense that may be true.

MR. O'HARA. Current financial needs.

E. One of the points that work study programs are really developed in private colleges, most of the time the money coming by diverting maintenance funds, whether this be library, grounds or dining halls where you employed outside people and instead you transferred money to the student aid budget, and the institution stretched out its funds. That does not follow for the Federal program. For the Federal program does not save a dollar by requiring students whose parents are poor to work for their grant, and neither does this mean that—I am very pleased to support A's point of view—that if work is useful for students, it may be useful for students at all income levels. And if the work is paid—if the work is worth doing and it is paid at a reasonable rate, it is essentially not student aid but student employment. And it seems to me that for the Federal Government this is a particularly pertinent point.

Here is another point in response to A. As I get A's position on the BOG's, this really is treating higher education as a welfare benefit. In my home town, for example, a mother with three children whom we know fairly well gets $3,900 in welfare; she has no other income at the moment. She has a son who is a high school senior. Next year—and for him she would get the equivalent of $900. Next year if he moves across the street to the city college—he would then under this become eligible for perhaps $1,800. So that you are supporting him at a completely different standard of living from the remainder of his family. And there may be political questions argued as to why you supported a totally different standard of living, the student at the time he becomes eligible, really in terms of age, to support himself, whereas while he is really still totally dependent, you offer him no maintenance support.

Mr. O'Hara. That is an excellent point. One of the reasons we are worried about the living costs of college students is because, for some reason or another, the income maintenance programs are rightly or wrongly not concerned about living costs of college students. And if that—absent this program, that high school senior—let's forget about any student assistance programs—under that example you're using, what happens to the high school senior if he does go to college, at the junior college next year, what happens to the benefits the family receives?

E. The present point if he is on social security the family would continue to receive the social security benefits, and how this would mesh into this——

A. Not under changes in the law, he can opt to receive them himself.

Mr. O'Hara. In any event, how about other than social security benefits? I don't—if they are receiving nonsocial security—if they are receiving survivors' benefits that is one thing, but if they are receiving income from some other program, either Social Security Administration or under the State department of welfare, I don't think they would get anything. Or would they?

E. I am not sure. I can't answer that. I don't know. I know—but, it is one of the reasons why while I can sympathize with the intent, I think politically it is simpler to provide tuition. And say you support yourself even though the total dollar outcome might be the same. But I find it a very interesting proposal.

A. Mr. Chairman, under my proposal, if a student is receiving benefits from other public programs for the purposes of maintenance whether social security, GI bill or whatever; these benefits would be deducted by some formula from his entitlement.

Mr. O'Hara. That counts.

A. I really want to lodge a concern about another theme that came out in the hearings again just now. So frequently we talk about moneys that go to low-income and moderate-income students as income maintenance or welfare, but when moneys go to the middle class, to farmers or anybody else, they are termed subsidies. There has been a lot of reference to the basic grants program as providing income maintenance or welfare because it is directed at low-income and moderate-income students. Interestingly enough, when we give subsidies to the middle class under the guaranteed student loan program, these are known as loans of convenience. I think we are falling into a pitfall by trying to describe whatever goes to the poor as a form of welfare when it is just another subsidy like any other subsidy.

Mr. O'Hara. I think what we are talking about is a living cost, when money goes to pay for food, clothing, and shelter as opposed to money going to pay instructional costs.

A. Well, these are the costs associated with going to college. And we are supporting these costs right now in every student aid program that we have.

Mr. O'Hara. My focus is a little the other way around. I don't know enough about the current income maintenance programs of different kinds. I have gotten some complaints, for instance, in connection with the SSI program, that if a handicapped youngster who is over 16 years of age is attending a school for the handicapped, that youngster is not eligible for SSI benefits. But if they were to drop out of the school, they would become eligible for SSI benefits. And I think that is, at least that is the complaint I get, the kid that attends the Michigan School for the Deaf, no SSI benefits. If the kid were to quit attending, SSI benefits. I think that some of these programs work the wrong way. If we think that an educated society benefits the country, I think that being a full-time student even if that is a factor in one's not having adequate income on which to live ought not to carry with it some of disentitlement if you otherwise meet the need test of income maintenance program. So I am thinking that way rather than the other way around.

C. One of the advantages of A's proposal in terms of clarity and understanding is the fact that since the basic grant program is designed to provide $1,400 of support be it through grant or through family contribution, and since that family contribution would otherwise, if the student were not a student, be going toward his maintenance, then you are really talking about funding the same kinds of expenses be it through the grant program or through the family. Further the family then, if it can afford the maintenance cost of not going to school, then can add on to that for whatever tuition support or other support may be required.

Mr. O'Hara. Well, I think A's proposal has a lot of pluses. One thing I would like to bring up in connection with it is that as you pointed out a very, very large percentage of students do work. And I am sure that many, and especially those of us who are in elective office, would be apprehensive about some proposal that would say, well, we are going to provide a student with all the student's needs. If we have a California student and the State taxpayer provides full tuition at the community college, and the Federal taxpayer provides the noninstructional costs, and then the student is under no obligation to earn any money on his own, I think there would be some apprehension about that. There may be some way of feeding in as we do into a lot of programs willingness to take part-time employment or some such thing.

Mr. Gaydos. Jim, would you yield on that point?

Mr. O'Hara. Yes.

Mr. Gaydos. I would like to ask everybody here whether or not they have heard the complaints I have heard. Because of accidents of birth and economic situations you're crippled while you are matriculating. In other words, you have to work, whereas a wealthy son doesn't have to work. You see, that is one I have heard repeated.

Now, assuming giving all things equal—we are talking about equal opportunity and what used to be the richest country in the world, and I don't say that jokingly, but very factually, as to whether or not you are not being unfair to that child given that he has a competitive I.Q., and he is going to school and he is forced to end up not getting his degree with honor because he couldn't, he would have and he would have been an honor graduate or summa cum laude; he isn't because he has to do this extra chore so to speak. I find that complaint registered with me in many instances. I don't know what the answer is. I am just here keeping my ears open to try to find out if that is a real problem in the country and if we should scrap the whole deal.

A. Congressman, that was actually the basis for my proposal for the change in work study. . . .

Mr. Gaydos. Well, I know. I was going to ask you that. I know what you are talking about. And I said through your presentation, I think I detected that. And I think you are so right, I have heard that—I might even use myself as an example. Paul and I are both graduates of the University of Notre Dame, both of us worked. Didn't we, Paul? We were law school graduates. We worked awful hard and that is a very difficult course to accomplish in the first place.

You should have reserved all the time to yourself, have the ability to participate in all kind of extra-curricular activities, and I was denied it because I had to do other things. And they say that my education is not on a par with someone else who by accident of birth or economic status went and matriculated at the same law school and had all the opportunities to do all the things that were there available in which I couldn't participate.

Mr. Dellenback. A makes the point that you had an unfair advantage because you had certain work habits engendered.

Mr. Gaydos. Cause I learned how to work?

Mr. Dellenback. And you had occupational advantages, that you learned things that the——

Mr. Gaydos. Like the Good Samaritan said, thanks for nothing.

F. I would just like to make some general comments. I think we have—since A's introduction we have been flying around and hitting some details. I would like to come back to what I think student financial aid program of the Federal Government really should be all about. I agree with A. The reason the Federal Government should be involved at all is that young people all over the country are in quite different positions with respect to their access to any kind of quality education. The States vary enormously in their practices and what sort of willingness they possess, to tax themselves and to appropriate and all that kind of thing. So, the point of the Federal intervention, it seems to me, is to try to make all young people in the United States—give them at least the same kind of chance to obtain a college education. Now, it's marvelously tempting, the invitation here to take a clean blackboard and start writing these student aid programs. But, we also learn from experience. So, I think that that an identification of what is wrong with the present program is awfully helpful before you start writing on the blackboard. We have had up to 10–15 years experience with these various campus based programs; and, I think there are a great many things that are wrong with them. And we should profit by that experience and make some major changes. I was particularly struck by the GAO report back in April to this committee on the inherent problems in the allocation of work-study and SEOG and NDSL funds. I think the only virtue that could be detected in those programs is that they are better than nothing at all. But they could be can enormously, much more efficient source for beneficial change.

I would like to read some quotes from that report—I am not sure everybody here has seen it—their basic conclusion was that the process for allocating the three campus-based programs both does not insure an equitable distribution. "It would seem physically impossible for the review panels to review each application in detail." In terms of simply looking at the reports, the panels vary, fiscal operations reports, "Reviews from the review process by only three of the seven original panels we reviewed." There is no way to insure equity among regions when people are applying a different set of standards in a review process.

Second, there is a severe problem of inflation of requests—padding the applications. "Some financial aid officers stated that this practice was commonly known among the financial aid community, and it was necessary to inflate their requests to compete with other institutions." "Another financial aid officer could not as required include other sources of aid funds in his application," so that he was not charged with the State scholarship funds and so on, as a result his institution got enough money to cover all his applicants. "Some financial aid officers told us they do not publish the availability of aid other than in the college catalog because they don't want to be overwhelmed with applicants."

The conclusion that I get from this is that it is usually the case the race goes to the swift, the clever, and the unscrupulous. And that isn't what the Federal program aimed that equalizing the students access to college should tolerate. And I don't see any cure for it because you will always have differences in the information, in the diligence, and in the morality of those who operate financial aid, who administer financial aid programs at the institution. And you will always have people administering that aid on criteria which are different from those that the Federal legislators contemplated when they enacted the law, so that money goes out to those who have good grades, for example, who are good athletes or whatever. And that is not the purpose. So I certainly think that we should get away as much as we can from channeling Federal student aid through institutions. I think that it should—the bulk of the funds should be channeled into an entitlement, that the student—a voucher or whatever—that the student would carry with him when he goes to an institution.

The loan program has already been adequately described as a mess, as it seems to me, you have this inequitable allocations problem, you have inexplicable differences in interest rates, you have a subsidy to anybody for the amount of the interest cost above 7 percent, so that goes to the Rockefeller children as well as to the children of the poor, and you have a rising collections problem. I agree with A on the work study *program.*

I think it is regarded with great affection, and it is consistent with the work ethic that we like to think governs our approach to the problem. As far as the SEOG's, I can't find any funding rationale, and again you have the allocations problem. And I am very much of a fan of the BEOG's precisely for the reasons I have stated. But I don't know why the limit is $1.400; I don't think anybody can say. And I don't know why the cut off is at 50 percent instead of 40 percent or 60 percent. I think there does have to be a limit, obviously. But it hasn't been articulated on any intellectually satisfactory basis.

So, what I would recommend—in the first place I don't think anybody should get totally free education, I think self-help is important to insure that the frivilous will not attend. And also it will spread the available Federal funds further if the student, even from a penniless family, is required to pay either through work or borrowing, some portion of his cost. And that is where I part company from A, who would have on the community college example you used. I don't think we should give money to people unless they need it. And that necessarily means to say that there has got to be a means test. And they are troublesome, but unless we are prepared to give everybody, not just those attending college, but everybody in the age group, an annual sum equal to the amount necessary to let the poorest one attend college. And then you have to have some kind of means test. And I just don't think we should be in the business of funding the unneedy unless we have first funded the needy. I am not a fan of the State student scholarship incentive program. It's great for the kids in Pennsylvania and some of the 30 States that have such programs now, but it does nothing for the children who live in States that don't have such programs.

And, it interferes with State appropriations decisions, and I think we should try to avoid that. I think that money—it was only $19 million—could hardly be noticed, but in principle it could be better spent by increasing BOG funding. I think that as far as BOG is concerned, it is important to raise the $1.400 ceiling and A has proposed one rational way to do it, pay to the average noninstructional cost of attendance. There are other ways that that could be justified. I think it would be desirable to do that if only to increase the numbers of American families that will be eligible for some kind of help, because the cost of attendance is close to $3.000 now for public institutions on the average when you add up everything. To suggest that that is easy for a $15.000-a-year-income family to handle is absurd. And the entitlement should be simplified; the Hollander testimony before this group earlier in June, described the New York survey of 5.000 students on financial aid. If that report withstands analysis as being well done, you can forget all about asset counts and all that sort of thing, and just relate the entitlement to the adjusted gross income which could not be simpler.

Finally, being from a school which has experimented with an income-contingent loan program for 3 years now, I have to suggest that it would make a lot of sense to increase the options that are available to student borrowers, the 10-year even-repayment plan which is now in the law certainly would be continued. I see no philosophical or administrative or any other kind of reason against offering the borrower the option of repaying his loan over a long period and in some relationship to his annual income.

Mr. O'Hara. The only ones that would take the option are those planning to go into low-paying jobs.

One of the things that A sort of glossed over, if you accept the basic division of responsibility, BOG's for noninstructional costs and let the States decide on how they are going to handle the instructional costs through use of SSIG or maybe use some other system. F indicated that he does not like SSIG because a lot of States don't participate and not only that, but it restricts State appropriations choices.

I've sometimes mentioned, in fact so frequently I am getting to be a bore about it at the hearings, the idea of higher education revenue sharing. In other words, let a State decide what they want to do to help their residents take care of instructional costs, and I always make the case by saying the States are taking vastly different roads toward this goal. Some have gone with making a very great effort to have low tuition community colleges, State colleges, et cetera. Others have made very little effort that way, and have instead gone after tuition grant programs and so forth. Maybe instead of SSIG's we ought to have some system whereby we say to the States, "Look we are willing to help you take care of the instructional cost end, and if you choose to do it as California might through a system that is primarily one of keeping down tuitions at public institutions, that is fine. On the other hand if you choose to do it in some other way that places the greatest emphasis on tuition grants, that is OK. But the amount we are going to give you in any event has to be used in one of these methods, you have an option of how you do it, and the amount we give you is going to be conditioned on how much of an effort you are making yourself. We are going to give you some incentive to do more." What is your reaction?

A. Would this be in lieu of a Federal program such as BOG's? If it were, I would be very troubled.

Mr. O'Hara. Well, no. I am talking about if we accept your basic provision between instructional cost and noninstructional cost and we say BOG's are only for noninstructional cost.

A. And maybe some kind of Federal loans could also be used by families. One of the reasons I came up with this proposal for BOG's was because I am so intrigued by the new New York State plan that you heard outlined which takes into account depends upon the price of the tuition at an institution in New York State. I think that is an intriguing plan. New York has clearly demonstrated a desire to help students in both the private and public sectors. They have pegged their entire program to the tuition side, to instructional costs. And I think that might be a program of the future. And the only way really that that program can mesh with the basic grants program is if the basic grants program somehow takes on the form that I have described.

Mr. Dellenback. A, do you think there is a chance that many States besides New York will go that far?

A. Well, maybe with Jim's revenue sharing they might.

Mr. Gaydos. In that area we have been talking almost exclusively about the student and his needs, and I think parts of the problem I think all educators should be very concerned about; and I think they are. The whole system is falling apart; the small colleges—did you read that article in the paper where a college is up for sale? And possibly what you suggested might be an answer to these small colleges that are about to succumb and slip under the waves. I think one involves the other. Some people feel that our institutions should be a more substantial, I have not only an emotional contact, but I think a practical concept that individual, small colleges are still good for this country, as I see it; and I think we might be able to solve their problem along with the individual's problem.

B. In the spirit of these being individual ideas rather than organizational suggestions, I did a little homework on what I thought might be done with title IV in terms of changes and many of the suggestions I would have are consistent with A's ideas. What I am suggesting here is a kind of a laundry-list fashion, and I will admit these are somewhat overlapping in terms of concept and would probably need to be somewhat priced out and whittled down in terms of total budget that the committee could afford. But I am suggesting these kinds of considerations:

First of all in the BOG itself, while A's idea is interesting in terms of confining the BOG to the noneducational costs, as long as educational costs and tuition are in there, I would argue for increasing the maximum grant to some higher level, I am suggesting $2,400 and I am suggesting 75 percent of cost of attendance on the theory that we ought to be affording something in the range of a $3,200 maximum educational program. And then I would also suggest that we remove the reduction factors in the legislation. I think one of the easiest things for the administration to do in its budget strategy is to find ways to screw down the BOG, in terms of say family contributions.

It is also tempting to the Congress to appropriate less than the full amounts needed because the reduction factors are in there. And I think we are giving something less than entitlement when we have that reduction formula in there and hold out the promise of a grant to a student only to find that he is going to get somewhere close to a third or a half of that amount. And it seems to me that we ought to take a leaf out of the veterans book and give the BOG recipient a full entitlement and guarantee that by law; and not allow that to be diluted through the reduction procedure. I think you would then have the BEOG, as many of us have said, as the basic program of assistance to students.

In terms of the problems of the institutions, I would suggest that the BEOG have a cost of education factor built in for the institution, and I would give back somewhat to the World War II GI bill, in which you crank in an amount representing the institutional cost. I suggested here a formula which would give an institution, by its generic class something on the order of one-half of whatever the tuition and required fees at that class of institution is with upper and lower limits not less than $200 to be sure that community colleges do get some benefit, and not more than $700 so that we wouldn't overpay for very high cost institutions. I think this kind of a formula would make the program much more attractive to the higher cost institutions, particularly those private institutions which inevitably have high cost.

The SEOG program, moving on to that, I would suggest if you did the things that I offered on BOGs, you would then be able to phase out SEOG with some grandfathering to be sure that no student who is now under that program would lose out because of a lower BOG grant.

Moving to the State scholarship incentive program, I don't quite share F's disaffection for programs to the State. I think one dimension that I would find intriguing about SSIG, if some measure could be introduced in the legislation to require the States to go about the business of talent identification and making awards to students in the secondary schools. It seems to me that one of the big tragedies of all student aid programs is the fact that we don't reach students soon enough and provide incentives and motivation for them to continue. It seems to be one of the great promises of SSIG is the ability of the States to do that and to go out as New York and other States do to identify students who would benefit from postsecondary education and encourage them to do so. And I am suggesting that if we went that way that the authorization of the program should be stepped up.

On the special programs for students with disadvantaged backgrounds that there ought to be an increase in the authorization to this program. I think that special services to students in postsecondary institutions is a very necessary part of insuring the retention of disadvantaged students once we get them inside the doors.

There is in the Office of Education now the draft of a study that ETS has done of this special program, and I think it speaks very vividly to the problems of retention of students coming from disadvantaged backgrounds and the extra cost of doing so. Their data indicate that somewhere on the average of $673 extra per student is required for the kind of tutorial and counseling services that students from disadvantaged backgrounds must have if they are to benefit and be retained in the program.

Moving along to subpart 5, section 419, payments to the institutions of higher education, I have simply shifted that. It seems to me one of the problems we have with that provision now is that it has been labeled as institutional aid and wrongly so in my judgment. It seems to me the cost of education is just an integral part of student aid. If we are going to find ways to financially induce students to attend postsecondary education there is an inevitable cost to the institution that I think ought to be recognized as a part of the student grant. I am suggesting that we simply move that into the BEOG formula. And I would allow the veterans cost-of-instruction provisions to last in terms of the increase benefits that are now going to be veterans under the amendments and the fact that there is a declining student load in the area of the veterans. Under part B–Federal, State, and private programs of low interest insured loans, I think one of the steps the committee should consider are ways in which the Federal guarantee could be extended on a more uniform basis to State guarantee agencies.

I find it somewhat inconsistent that now the federally insured student loan programs provides that half of the States have a State guarantee program and are assuming their responsibility and their load, whereas the other half of the States are going somewhat free allowing the Federal Government to take up the entire responsibility The State of California, for example, provides a major headache to the Federal Government in terms of the extension of direct loans to students in that

State and California also accounts for a high degree of the student defaults I would simply suggest that the proposals from Mr. Jung of Wisconsin receive serious consideration by the committee in terms of the model of the State program. And I would suggest that the States are a good instrument for identifying, as I said earlier the students who ought to be encouraged to continue their education through the incentive grant program, and to the extent the States do that in combination of grant and loan type of facility, it seems to me the States could be very effective in identifying students have both ability and financial need early in their years if they don't fall by the wayside.

Work study, I would suggest we increase the authorization for that program. And I do share some of A's misgiving about the kinds of employment, and the extent to which it may be cranked inequitably in terms of the needs analysis. There may be other ways we can adjust the consideration of wages and their assessment, as A suggested. But it seems to me that work study is, first of all very popular, I think that it is inevitable that institutions are going to favor that kind of a program: I think Congress likes it: I think that students benefit very much from it; and I am personally quite partial to it.

I think, however, some of the suggestions that A made for combining work study and co-op ed might be considered. It seems to me that there is a compatibility there that ought to be thought through—that the co-op ed program itself is a very effective program in my judgment, and that authorization ought to be increased so that the program gets out of what is now a very minor demonstration-type program into something that is more fully available.

Mr. DELLENBACK. Do you think it takes greater incentive—that Federal matching requirements should be reduced, you say? The 80 percent should be dropped off or increased—you say to get greater incentive to initiate and expand programs as well as to use the burden. Federal matching requirements should be reduced. Are you suggesting that we raise the 80 percent?

B. Under work study, raising the—to 90 percent, in other words——

Mr. DELLENBACK. Is that program strong enough to take a 50 percent match?

Mr. O'HARA. No, no. He wants to go up to 90 percent.

Mr. DELLENBACK. I know, I know. I reversed it.

I don't know that institutions would find the resources to put up a 50 percent match. I think that one of the things that A has found out, for example, in the study that has been done of the 2-year colleges is that a lot of the 2-year colleges are having difficulty meeting the matching provisions of the Federal campus based programs. And this is one of those areas where they are not participating fully because of that kind of requirement. What, of course, might be possible is a variable matching provision in which you maybe looked at the institution's ability in terms of——

C. New needs tests for institutions, and off campus agenies, too.

B. It seems to me what ought to be thought of there are ways in which that matching provision can be considered in terms of not eliminating institutions who should be in it, who would participate but who can't because of, say, the 20 percent.

C. The current law provides for that, but the Office of Education has never implemented the provisions to do it.

B. On direct loans to students, I am suggesting that there ought to be some phasing out of that program. I think that perhaps by the Federal Government withdrawing its capital contribution with some point in time; 1980 is in the statute now that the programs could be put on a kind of a self-sufficient basis. In other words, it seems to me what the Federal Government ought to attempt to do there is to allow the institutions to take over those loan programs, and to remove the cancellation and forgiveness provisions which are now, of course, federally sponsored. And to attempt to make the program self-sufficient in the institution, and perhaps provide a reinsurance fund of some kind that would guarantee the institutions against losses.

C. I hope that you are tieing that to the assumption that your previous recommendation on the State guarantee loan programs would come about, because I think that kind of a recommendation is extremely dangerous under the present instability of the private sector.

B. I did say in the suggestions about State guarantee agencies that the institution could be an instrument of the State in terms of making loans, it seems to me. My suggestion for a new section is something akin to what the chairman earlier talked about. And that is a grant to States which could be a revenue-sharing idea in which you would put up a low tuition option of the Federal Government: ways in which the Federal Government could encourage States, in whatever ways are appropriate for them, to extend low tuition education, either through tuition offset to public and private institutions or through a direct provision community college and 2-year programs. And that you would not penalize States like California and New York who have already gone very far in this direction by saying they had to do something very specific, and allow them to merely extend their programs as they now exist.

Mr. O'Hara. I hope you built in some kind of incentive thing so that the slackers would not be treated quite as well as those that are making more of an effort.

B. Yeah. In other words—also, it seems to me you could have a kind of a startup requirement for those students who have lacked such programs, which could be stiffer for those States than for States that have already gotten into the business.

F. There seems to me that there is an extremely difficult problem for the Congress in that sort of program in that it is so difficult to be sure that you are treating their varied States, their varied levels of effort, their varied levels of taxable wealth, their varied commitments to help with higher education. Finding a formula that will solve the maintenance of effort issue or which will take account of the fact that, a State like Connecticut historically has been educating most of its children in private institutions, whereas a State like Michigan has been educating most of its children in public institutions. Connecticut does not have an income tax; Michigan does. Sales tax rates vary and problems of financing elementary and secondary education are quite different in the States. Heavy contribution of parochial systems in most of the Eastern States. So that Connecticut puts less money into secondary and elementary education than Michigan does as a State. And theoretically it should have more available for higher education, but it doesn't. How you find a formula for distributing Federal aid to institutions, I think is going to be a very long and dark road. There was the attempt to push the general revenue-sharing bill to encourage

States without income tax laws to enact them; and that fell by the wayside. I think you'd have the same kind of problem with higher education and institutional aid.

G. Mr. Chairman, I have jotted down some items on the ideal title IV. The reason I am going to go through them step by step is because I think they parallel almost exactly what B has just reviewed for you. And I can assure you that I didn't have his copy. But there are a few divergences—let me just very quickly refer to the guaranteed loan program and some concerns I have that were expressed here; concerns about what was expressed here with regard to the possibility of eliminating the commercial lender. This is a concern of mine personally, because I feel that the number of people involved in third party lending is really not known by the public and educators today because there are so many people in the lending function that help out in this function, not only the lending but the collection which without these people without that third party we are going to be in lots of trouble especially if we go to a student loan bank concept; and this has always concerned me, for the cost of this type of program without question would be passed on to the student borrower and increase his total educational costs and the outlay that's expected from him. I personally feel this is why we must keep private money. Another point quickly to deal with the concept of permitting the States to tailor their programs. I do agree with this.

The State of —— is currently considering a direct loan bill and we have worked very closely with the Federal Government in trying to tie this direct loan bill into eligibility for the interest subsidy and the other benefits of title IV–B. So, I think these are two of my greatest concerns, and of course, not least that of encouraging more States to start their own loan program as in the grant program, the SSIG has intended to by hopefully getting moref unds for that program.

Mr. O'Hara. Thank you. You know, you wouldn't necessarily get the private money out. We had a fellow before the committee from the First Chicago Corp. They make loans to schools who qualified as institutional lenders under their federally insured program. So you could do it that way too and keep the private money. There are a number of different approaches to it, and I agree that we have to find ways to maximize the funds, and the only way you do that is by trying to get more private money into it, instead of trying to use all Federal funds; get more State money and get more private money into different programs.

Mr. Dellenback. At that point, Jim, let me say that for F's sake, let me just say that I am not sure when he was touching on the SSIG program, the little participation that our statistics bear that out because we have 51 States and territories that have been involved in that. So without arguing the question of whether or not that is really a good program, I think that if it predicated on the assumption that there has been very inadequate involvement, it is not in accordance with the facts.

The dollars we feel are inadequate, but insofar as its being received by the States and being grabbed on, we found that instead of just a handful coming in that our figure is way up the line. It is either 50 or 51. We had had 51 for awhile and then I guess Louisiana dropped out under the participation so that it is at 50 States.

E. I think at the moment the assurance of Federal student aid plays a very small part in the thinking of most students in the 4th, in the 8th, in the 10th grade. This is not built into the system of expectations at the present time. And what little evidence we have, I think, is that the primary incentive comes from low price institutions in the area. In fact, we have no evidence that any of the student aid programs has had any appreciable effect on actual enrollment, and any very hard sense. And we do know, I think, fairly well that money made available so unexpectedly at the 11th and 12th grade has very little influence on college plans. The only thing that I would hope therefore is until and unless the student aid programs can achieve a size and stability so that parents of young kids can truly depend on them, then if you want to increase enrollment from the disadvantaged, low income group it is crucial that a maximum number of institutions with low tuition be kept available.

I suspect, for example, that veterans now have considerable confidence in the stability of veteran programs. And that it does act as a motivator for them, and if the Federal program achieves size and stability, then perhaps the tuition becomes less important if you can count on aid along the way. But until then if you really want low-income people to come along, there needs to be some attention of availability of low-income institutions.

Mr. O'HARA. Low tuition. Low cost.

Mr. GAYDOS. On that point, the veteran is receiving a deferred payment for his services, isn't he? And we are talking about him as an individual. I think what you are advocating—I may be misinterpreting you—but, I think you are putting more importance upon institutional aid as distinguished from individual aid. I think that's how I interpreted it.

E. From the point of view of the student who really does not have a built-in family predisposition for him to go on, who does not have an acquired confidence that he will make it, to have some light at the tunnel that he can depend on, is essential; nothing now takes the place of a free institution which you can go. Because I don't think it is necessary that we make college attendance easy, but what is critical is that it be truly possible and seen as possible by youngsters at all income levels. And until therefore, you have true stability in a massive Federal program.

Mr. GAYDOS. Let me understand you if I may. Are you saying you can create that true stability, that hope at the end of the tunnel by doing what?

E. A tuition-free institution——

Mr. GAYDOS. Tuition-free?

E. Well, in the California—in the community college situation, you can believe in a community college. It is there before you; you know people are going.

Mr. O'HARA. And it has been there.

E. There is no comparable dependence at the 8th and 10th grade that I can get a Federal scholarship or a Federal grant which will see me through. That has to come through programs which have stability——

Mr. GAYDOS. Through the statistics and based upon the California experience, I understand they've changed it, and I don't know why they have, but apparently it one of economic reasons. Do the statistics indicate that the Californian ends up making more money, or is more educated than a Pennsylvanian? Would you know? I am really serious.

E. No, I do know they do not at the present time because one of the anomalies of the California system is that we start an awful lot of people, but we do not graduate an awful lot of people.

Mr. Gaydos. There is some ingredient missing somewhere isn't there?

E. That's right. It is a difficult judgment to make because of population shifts, immigration trends. For example, we had a considerably smaller percentage of high school graduates in 1965, for California than we had in 1950. Now that contradicts the national experience and this was in immigration, factor for us so hard value judgments are a little difficult to make, but making it easy to begin college, as we do in California, has certainly not resulted in increasing the B.A.'s at the end.

Mr. Dellenback. Aren't you really referring to a present situation—that is, the student in California sees the community college, and he doesn't see the same assurance in financial aid with the key always, of course, being the differential. We have had a number of witnesses who have talked about the important element being one of price, not cost. And, therefore, at the moment they see where tuition is low, the price is low. But that isn't any assurance that as BOG moves from $122 million to $475 million to $800 million to something else, that they aren't going to find in that the same type of assurance that you have found in the veterans program at the present time.

E. They won't do it over night.

Mr. Dellenback. No, but they won't find low tuition over night anyway. I read you as saying that your California experience where you have a bird in the hand says to you that bird in the hand is a very important factor, but you are not debating whether or not this kind of a bird is a better kind of a bird than another kind of a bird.

E. I have opinions about it, but I am——

Mr. Dellenback. But that is not really what you are speaking to now.

E. What I am saying now is that until you get stability of a Federal program, so that they are felt by youngsters along the line—then make some case for the maintenance of some low tuition institution.

C. Given the fact that those of us who work with it daily can't even be sure that we are going to have it tomorrow. You can understand why students who don't even comprehend what it is all about can't have that same kind of assurance that it is going to be ready when they are ready to go.

Mr. Dellenback. We have 1 year of advanced funding, as we know, and beyond that we are struggling.

Mr. Gaydos. It is just one of these personal feelings of mine, and I doubt if Jim shares my views or not. But it seems to me this country could take care of the whole world, all kinds of foreign aids programs, Asia development banks, international banks, it comes down to this very fundamental problem and we can't solve it. It is very irritating, and you almost end up with a self-defeated attitude. We can do everything in all fields, but when it comes down to this very basic problem, we can't solve it. I don't know what the answer is.

C. Mr. Chairman, I have one comment I want to get in because I have been holding off on it, cause both A and F mentioned it and I don't want it to get by without it being pointed out. The mention of the New York study that was showing the low relevance of the assets. I would just observe that that is true only so long as the income, which you are restricting the awards to, is very low. But that if you expand the eligible group, in terms of income, the asset treatment becomes more and more important. And you can't ignore it up to a certain point. If you are only making eligible people, under $3,000 a year, then it is a self-fulfilling prophecy that the assets are not going to give much trouble.

A. The New York program goes all the way up to an adjusted gross income of $20,000.

Mr. O'Hara. They say that their survey of it tells them that the asset thing doesn't make an important difference.

C. From my own experience, then I question the adequacy of their asset——

Mr. O'Hara. I think we have to look into that.

C. —data collection.

Mr. O'Hara.—I notice D, who is very wearily showing the wisdom of someone who has been at it for awhile, waited to try to get in the last word, do you have some observations?

D. No, that is because I don't have an awful lot to say. What I do have that will be made available for the committee is a series of campus observations on the program from about 15 universities and people in the trade. All of these comments are really predicated on continuation of the existing program, as to how you want to tune it up. And the committee has heard most of these, but there may be some ideas that are added. With respect to these broader questions, it is a fine thing to consider. It does seem to be that when you say make the BOGs related to the cost of attendance you do accentuate this welfare problem or subsidy. I could call it that because in theory it seems to me we are saying that there is something special about each student and their attendance that makes them wore worthy of a fairly high level of support relatively than mothers with dependent children or other groups in society. I wouldn't argue, you have to have a complete symmetry all over the lot, and if you can get a bird in hand and do well with this group—I say go ahead and do it. But it seems to me that if you pull them apart that way it does place fairly starkly the fact that we are placing a very high social importance and value on attendance at college compared with the welfare and the values that society gets out of other expenditures.

Mr. Gaydos. Would you yield that point right there? Is it proper and right to compare that student and his income with another student attending an institution or a fellow that happens to be part of a family that is on the public welfare. I mean aren't you comparing apples with oranges when you are saying that it creates a welfare problem, I don't see it at all—I don't see any connection at all there.

D. Well, I do.

Mr. Gaydos. If a student is attending an institution you want to revert back to comparing him with another person or a family or a member of a family in some kind of a welfare outfit. That is not a comparison at all. He should be in my estimation compared as a student to another student attending that institution.

Mr. O'Hara. Joe, if you had a son of identical twins, two boys, both of them graduated from high school, and one of them went out looking for work and couldn't find it, they are both 18 years of age, they both finished school, and one goes out—and they are my constituents—and one goes out and looks for work in the auto industry and just simply can't find it because the auto industry is laying people off, not hiring them on, you say he can starve, the other kid goes on—or else the other kid goes on to college and you say we will give him $1,800 a year to purchase food and shelter.

Mr. Gaydos. I am not saying that at all. As I understand the fear that has been expressed here, the fear that you are going to disrupt this whole equilibrium as far as the welfare payments and whether they are just or not. If you have some problem as to whether it is unjust, I'd say go to where you are paying the welfare, maybe increase that up to a reasonable rate.

Mr. O'Hara. He is saying that if you have one system that treats the student better—I have been complaining that the student is treated worse, in some of our hearings, than the other person. He is saying that he is afraid if you institute a system that treats the student better, you also have a problem——

Mr. Gaydos. Everybody is going to want to be a student. Everybody should be a student if they qualify.

Mr. O'Hara. I am for that too.

Mr. Gaydos. Let me make an observation, Mr. Chairman. I think we have made some head way in identifying the problem, and I think there is some identification here, and I hope that we as a committee with the help of the people like these that are in attendance here is to go ahead to set a sort of a priority so we can get around to facing the practical aspect of the congressional problems as the gentleman finds difficulty in understanding insofar as what we are doing, how we hold the carrot in the stick. I think he has expressed a very sincere reservation as to how you can perform that trick. All the 50 different States and all their inequities and economic differences and things like that that I find them very interesting.

Mr. O'Hara. You're invited back tomorrow morning at 10 o'clock, we are going to have another group in—9:30, I am sorry—and we are going to talk with them tomorrow morning. We are trying to find a way to end up with a rational system that will be, as E has suggested, that will maybe not work for all time but at least to stabilize the student assistance system and to give some expectation that it will continue on that way. And to get it into a noncontroversial frame and so forth. I don't know how—I don't know if we will ever succeed, but at least we ought to make the effort.

A. Let's get back to D's point for just one moment; namely, that we are currently treating students better than we do a lot of other people in the society. The costs that I would cover with BOG, the noninstructional costs, are being covered for the needy student now, in one form or another, under present student aid programs. The BOG program right now is allowing $1,500 a year just for the commuting student and his personal expenses. I don't really think it is an income maintenance program, I think we are paying or giving our kids something that will help them defray the expenses of college attendance. I am passing out a table which shows roughly at least the costs of my BOG's proposal. The first column shows the current BOG costs.

Mr. O'Hara. This is the cost of BOG, your new BOG?

A. On the top half of the page the table deals with the costs of the program at full funding with the half costs provisions. In other words, with a grant ceiling of $1,400, roughly we came out with $136 billion at full funding, which is awfully close to what the administration has. This assumes a participatory rate of 80 percent in the program. If you take the grant ceiling up to $1,600, those costs increase by about $300 million; if you go to $1,800 as a grant maximum, the costof the program will go to $1.9 billion. Jim Mooney just pointed out to me that $1.8 billion is just about the current student aid budget that was passed last Thursday. If you look below, it shows the effects on costs of the program without the half cost provision. And I am going to be working with these figures.

Mr. O'Hara. A, as we discussed in the past the difference between the reasonably expected family contribution and the actual family contribution. And where, in fact, there is some gap between actual family contributions at all income levels and reasonably expected family contribution. How about a system that would—going for your idea let BOG's take care of noninstructional cost, but instead of putting the ceiling at the cost of room, board, books, et cetera, according to that table you gave us $1,600 to $1,800 putting the ceiling at what the actual contribution is to noninstructional costs by families having a $20,000 or $25,000 adjusted gross income.

A. Just the instructional costs?

Mr. O'Hara. No, noninstructional. In other words, you see, I would guess, just offhand, that the $25,000 adjusted gross income family doesn't really provide $1,600 to $1,800 on the average.

A. The $25,000 adjusted, which would be about a $35,000——

Mr. Dellenback. $20,000.

Mr. O'Hara. No, no. Adjusted gross not adjusted family income——

A. OK.

Mr. O'Hara [continuing]. Adjusted gross. In other words, gross income after you take off business expenses. The figure you put on your tax return up high there. Take that—take a well-to-do family and find out what in actual fact they contribute to the noninstructional cost, on the average. And say that is the maximum award of a BOG.

B. Except they contribute to the total cost. How do you distribute that contribution?

Mr. O'Hara. Well, I think that would be a little difficult. But you see there is a problem here—if you take a student and you say all right let's say he is $8,000 family income, we are going to give you $1,200 toward your college education, but you can only use that money for college costs. I think he will actually get more of a contribution toward his college costs than the unsubsidized kid from the family making $15,000 or so.

A. Well, how would you then deal with the problem of consumer choice if your $25,000 family opts to send his son to a school where the bill is $6,000.

Mr. O'HARA. Well, I guess what you do is to deduct the tuition expense and say the balance is what he is getting for noninstructional cost.

A. I think it is something to toy with.

Mr. O'HARA. Well, but I mean, in other words, I——

A. Or how do you handle the family——

Mr. O'HARA. That would in effect put some obligation on you to dig up some of the money——

Mr. DELLENBACK. You don't mean they overcontribute in the sense of a higher gross amount.

Mr. O'HARA. As compared to the reasonably expected.

Mr. DELLENBACK. That would be the drawback. I read Jim as talking to the question of where you strike the averages. You would just strike a series of averages instead of a single average, won't you?

Mr. O'HARA. I guess I would strike an average——

Mr. DELLENBACK. By income.

Mr. O'HARA. I think you get into quite high incomes, A would have the ceiling at $1,600 or $1,800 under BOG for noninstructional cost, right?

A. Yes. And I would adjust that ceiling each year as the CPI increases.

Mr. O'HARA. Yes; OK. But I suspect that the average income family, the one's who wouldn't be eligible for BOG, don't in fact contribute that much to the noninstructional expenses of their children.

A. We will try and find that out.

Mr. O'HARA. In other words, we would find Uncle Sam to be a more generous parent than the——

A. We will look into that.

C. One of the problems with doing that, however, is that you provide the families with an incentive to do less and less because somebody else will take it up, but it seems to me that, from my philosophical viewpoint, we have an obligation to encourage parents to contribute as much as they can rather than to get by with as little as they can.

Mr. O'HARA. No; I didn't want to do that. I wanted to peg it at whatever the average family does, in fact, contribute to the noninstructional cost of their own children.

E. If they are actually contributing less, are you impling then that the budget has a pad in it—they don't really have to have that much money?

Mr. O'HARA. I guess the average family is expecting the kid to dig up the rest of it somehow, and I don't think Uncle Sam should expect less of the children he is helping than the average parent.

Mr. DELLENBACK. I would think, Jim, that one ought to be explored further. I am not persuaded on the basic thrust of what A is saying and I would like to pursue it at another time.

Mr. O'HARA. I thank all of you for participating today.

STUDENT FINANCIAL ASSISTANCE

(Seminars)

JULY 3, 1974

Mr. O'HARA. I would like to begin this morning's proceedings with a brief statement of the ground rules as they've been agreed upon for this series of seminars on student financial assistance. These meetings are not official meetings of the Special Subcommittee on Education. Yesterday, today, and on a few more occasions next week and the week thereafter, members of the subcommittee will be meeting unofficially with people like yourselves, individuals who have been selected. can discuss with us your personal and individual views about student financial assistance programs. We're maintaining a record of these proceedings, as you can see, and we may well decide to print that record for the use of the committee when it resumes its deliberations on student aid. But in order to protect your individual ability to speak your own minds without compromising your associations or your institutions, I want to reiterate here the assurance that nothing any of our guests say in any of these proceedings will be quoted or attributed to you without your specific permission which we will request if the specific need arises.

If we do print the record, we will delete the names and any references to your associations or institutions. I can of course only be responsible for what the subcommittee does, but I do hope as well that everyone here present, including the staff and participants, will respect the confidences with respect to what is said here in these proceedings. Judging from yesterday's opening seminar I can say that I am confident that we will be able to emerge from this undertaking with an enormous amount to think about. as the subcommittee tries to cope with the creation of a new title IV. We are asking you to look at the question of what would be an ideal program and also we are asking you to suggest if you want something less than an ideal program. If you find that your ideal program costs an outlandish amount of money, you might want to also suggest something less than an ideal program because we do really want to see if we can devise a better mousetrap, a better way of approaching this problem in the way you've been using it. I'd like to start off by asking A who is an old friend of the subcommittee and who I have quoted very frequently. I really feel in general we have a very good combination in that it presently is working as the paper points out. I would make a few suggestions for adjustments rather than to change the programs totally.

One of my reasons is that we find that when there is too much uncertainty. especially with disadvantaged students, it is very difficult to convince them that if we encourage them to go to school their freshman year that they will be helped on up. Because not only has funding been a question mark, but even, for example before the education amendments were passed, whether or not indeed any program that they were involved with could be continued. So I think that there is some need for continuity in terms of the students, and I think also for institutions. And then highlighting the concerns I would press in the paper, I think the need for training is really a paramount one especially with the entrance of so many new institutions into financial aid. And then along with that the need for certification of financial aid offices. I think you may be aware that NASFAA has a standing subcommittee in this area, and I hope that they will come up with something that will be viable. And then two questions: Who should be served in terms of academic eligibility and financial eligibility? Also a small recommendation of change from financial aid to financial services? We find that so many of the students and their parents feel that the term "financial aid" carries a stigma especially since so many of the parents come from the depression era when they were proud or pained as it may be to have had to receive Government assistance. And then the question of State versus regional control.

And also the need for a complete text of title IV. Even heads of institutions tell me that their legal counsel have difficulty in deciphering which little subsection of the amendments refer to the Higher Education Act. Also a need for congressional definition of key terms in essence that we would prefer that Congress define what they mean by such terms as "great financial need," "would not but for . . .," et cetera, rather than having the possibility of the Office of Education interpreting it which may be in direct opposition to the intent of Congress. And then some specific recommendations on the basic grant program. My greatest concern there is what is happening to the independent student. So that in essence is the bulk of the paper.

Mr. O'Hara. Well, thank you very much. Before we have comments on that, I am going to ask B if he would like to give us a brief presentation and maybe after we've had those two presentations, we can start some discussion and the others will have a chance to get their 2 cents in.

B. Well in the opening part of my statement, I say that student financial assistance is very vital to maintain the existence of the notion of equal educational opportunity and attainment as well as to the continuing existence of many institutions of higher education serving large populations of low-income and Negro students. Such institutions depend very heavily upon Federal student assistance programs plus sizable amounts of other support. And if the whole notion of equal educational opportunity is going to be a reality, as a necessity of making close their deliberations in the area of student financial assistance because of the consequences that will occur. Policy deliberations are not inclusive of their major concern. And I say that an approach to student financial assistance is necessary to allow the student's real options to go with initial access that a program of the basic educational opportunity grant type will afford many students. A mix of grants, work, loans, cooperative education types should take this approach. The necessary conditions that all funds in these respective programs be increased to accommodate the expanded enrollment so that most students will be turned away and turned off because of the lack of eligibility of financial options for the educational experience. I list the major programs that are now existing, which I believe are the types of programs that are necessary to facilitate student assistance within institutions. This variety of student assistance program is necessary to meet the range of needs of students attending institutions of higher education. I made some comments about proposed changes that one might consider in looking at these existing programs in terms of trying to make them ideal programs. And I will just hit quickly on the basic grants—the supplemental EOG grants—and direct loans because I think the others can sort of follow their pattern as they are now.

With regards to the basic grants program I would say if we should change the $1,400 to $2,000 less family contribution not to exceed three-fourths of the cost of attending the institution in which the student is enrolled. And I would put this in that context so that when you say "up to half" and the appropriation does not approximate that level, then you have to find the other half of the resources in some way so I am saying you move it to three-fourths then at least you can add on some direct loan or some work study to make out the difference. So in a sense, you don't have to put too many different parts of the financial aid undertaking into the mix to get that particular student on his way.

You can maybe take some other forms of aid and put them in other areas for other kinds of students. Then the supplemental education opportunity grants should be increased up to $2,000, one-half of the sum of the total amount of student financial aid provided by the institution, whichever is less.

Grants should range from $200 to $2,000 a year and be awarded for each of 4 years to a total of $5,000. If the course of study requires extra time, then it can be extended to $6,250. The direct student loans, $1,500 a year for undergraduate total of $6,000. If the course of study requires extra time, then the direct loan may be awarded for 5 years for $7,500. With a $10,000 limit on undergraduate and graduate combined and since he has 10 years to pay back the money, then that is like $1,000 a year. I don't think if they have a decent job that they could probably return $1,000 a year based on the kind of income that they would make by virtue of having the academic preparation.

The other programs could be maintained under their present arrangement. I would take and go through with some program suggestions for each of the programs, but I won't take the time to go through each of them. Some factors such as administrative cost, these kinds of arrangements could be considered to facilitate a kind of coordination on campus, making it possible for the institutions to coordinate, have the personnel on hand to coordinate these programs so that the constant cry that "there is not enough staff," "people can't move," that "the programs are costing the institution," that this should be taken out of the whole equation so that everything is there for the institution to do the job that they're supposed to do in terms of seeing that students get the financial aid, get it packaged, and the whole student aid program moves.

Some of the suggestions that I have here may have been responded to. Some changes are in the works. Regulations are changing, so some of these may not apply now. But some of these are the kinds of suggestions that the different programs need if they are going to be made more viable in terms of moving the student aid package and some programs within institutions.

The supplemental EOG program, the whole notion of having to match the money, there is a question as to whether this impedes the management flexibility. Maybe it should be a discretionary kind of thing as opposed to a matching kind of arrangement. Some of these kinds of ideas should be looked at in terms of defining what the program is about. The institutional matching requirements may present hardships to certain types of institutions.

If you are talking about having an ideal program, these are the kinds of things, these are some of the kinds of principles that have to be addressed in putting together whatever is going to be put together, if the student aid program is going to go in a certain direction.

The State formulas also present some problems and there may be a question as to whether the State formulas in the different programs are equitable in getting the money to where the students are, and whether some modification of these formulas—if you are going to have a formula maybe there needs to be some changes in the formula. Also I talk about cost of educational allowances.

Some people are of the opinion that if you have a student aid or loan that it is the panacea; that the students will take the money to institutions. But since the student aid doesn't cover all of the expenses of a student's attendance at a particular institution, it may be very important that in this stage of the deliberations that some kind of cost of education allowance be given serious consideration so that institutions will be able to provide a quality instruction in addition to have students coming there. I think that the whole notion of moving away from categorical grants to institutions and trying to play down that idea may work to the detriment of the internal structure of the institutions. I think there has to be a two-prong kind of approach, aid to students and aid to institutions, so the institutions can maintain a level so they can properly serve the students that come in.

I don't think that even in an ideal student aid situation that these forms are really adequate to keep certain institutions viable when many of them don't have the kind of endowments to draw on and other kinds of financial resources to offset some of the kinds of problems created by having certain kinds of students on campus.

I have about 20 general principles that I feel must govern all student assistance programs. And the first is that the Federal initiatives involved must be prominent. I think in this era of decentralization and regionalizing, the Federal Government must always hold the banner high lest some of the regions and States move out from under the responsibility of seeing that certain kinds of thrusts are carried out. To some people the commitment is chilling and I feel that the Federal Government must keep it before the States and the regions and institutions. Certain things are considered to be priority and if these things are not kept up, I can foresee that much of what we are talking about will end up as being something very hollow in the future. Many of the goals and objectives that were set as being the end for certain kinds of financial aid programs would not have been fulfilled. The talent that we are saying that we should be developing, we won't have available. Affirmative action programs and all these other kinds of programs will be inoperable because the people that we thought or should have prepared won't be around. I can foresee the gap in talent will be greater in the very near future if this kind of thrust is not maintained at this time.

I would say that this is what I consider to be very important because I don't think that many people are aware of this and sensitive to the fact that if you are talking about having a certain mix in the pluralistic society, at some point, somebody has got to take the initiative and start developing the kinds of human resources that will make this mix a reality rather than something that is talked about.

I think that another principle—and I will just hit several of these and I will conclude—another principle is that I am kind of wondering whether in the forward funding of programs whether or not this is going to keep us adjusted or keep us in touch with the kinds of fall enrollments that come into the institutions. Whether the appropriation or something in the authorizing legislation is needed that will guarantee that, if you find in the fall that the enrollment is different from what your appropriation is going to serve then that you have an adjusting mechanism to supplement this kind of a financial arrangement so that you can serve the students who show up and need to be served in institutions. I sense that as being something that is very necessary.

I feel also that targeting of resources is necessary for low income students to have a chance. I think somewhere that principle has got to be reintroduced to the whole financial aid structure because between the time the Congress deliberates and passes the law and the time that the persons who write the regulations get through with it, sometimes there is a slippage there which I think that if the Congress can sort of put that in place then the slippage won't be so great. And then by the time the people in the institutions who administer these kinds of programs get through with it then, you may find yourself quite a bit over from the congressional intent, I think this can be taken care of.

And then also I would say that in awarding financial assistance to low income students, I would say that the range of awards should run from grants to loans with loans being the last resort. That, I think, would be very helpful to move these kinds of students through the programs. Also I would say that, if a BEOG concept is maintained based on full funding, the appropriations in other programs in the Education Amendments of 1972 should at least merit the minimum amount that has to be appropriated before BEOG could be dealt with or funded.

I feel that that minimum level was probably too low. If you are going to talk about a full funding of let's say a program like BOG's then I think that the authorizations in the other programs should be in keeping with the notion of the full funding of that kind of program otherwise you might not have enough resources for a program like that, to keep your financial aid moving through the institution. I feel also that some consideration should be given to panel review and approvals, for instance there's a possibility that Congress could set its authorizational levels based on a look at the past 3 years of the panel review request within the particular programs and averaged it out and used that as the minimum of authorizational level or program, so that the programs would be somewhat consistent from standpoint of authorization appropriations with the actual needs out in the field. I think that might be a way of trying to get a handle on what is a realistic authorization level. I feel that something like that would be a better way, a more realistic way of getting at it, than to say set a figure of $300 million or $400 million and $500 million the next year. But if you got the past panel approvals which is not what institutions requested, but is fraction of what institutions requested, then I think that you'd probably have the better handle what should the authorizing floor be.

And then something has to be maintained in terms of student assistance programs covering part-time, half-time, as well as full-time students. I think that should continue because I think there will be more and more people attending institutions part time and half time. I think that this principle must be incorporated or maintained in whatever the deliberations are.

And then I would say that while the impetus has been at the undergraduate level, I thing that graduate fellowships should be continued. And I have heard talk about the large numbers of doctoral persons over hamburger stands and so forth, I don't think that really applies to minorities in this country. I think that any minority worth his salt can be hired. And I think that sometimes in the policy deliberations we take the overview and look at that as opposed to taking and looking at the particular nuances that affect particular groups within the society. I think that this whole "Ph. D glut" doesn't apply to minorities, and if we use this as a focal point we may find ourselves with fewer, fewer, and fewer minorities.

One of the things that concerns me is that in many institutions it seems a bit of a tendency to have the minorities get a doctorate in education administration, or higher education as opposed to physics, chemistry and things like that. If you are talking about a mix of people in postsecondary education, you have got to have people in the hard discipline areas and I don't think there has been a trend toward this kind of a thrust where you have got people really into the hard areas and it is so easy to follow the line of least resistance to get into educational administration any of those kind of light areas as I call them. But the hard areas are the areas that we need to start looking at in terms of getting people really prepared, physicists, chemists, and people in math. I think that this is something that's sort of gone over our heads, and I think that this is something that we need to look at. I think that the Congress could help if it made provisions in some of these areas so that these kinds of notions could be guaranteed.

And then I think that another part of what we are talking about is resources for student recruitment. I think there should be some emphasis on that because there are some forces at work which are undercutting the possibility of students going in a postsecondary experience. Office of Education has a little thing that says "25 careers that don't need a college degree." And there is a whole playing down of degree credentialing. And a lot of people are buying it. And it is disturbing because you're losing a lot of potential. People who could go all the way are copping out for very simplistic notions about their future. When you consider if one finishes whatever it is they're about at 21, they're 44 years ahead of them if they're going to retire at 65. And the question is should people negotiate for 44 years with less than their potential. I think these are some kinds of factors we need to look at. The role of the Federal Government is vital to the future of the financial assistance institution of higher education. There is, I feel, a moral obligation to realize this objective, and these recomendations that I have included in my paper, I feel, are the kinds of ingredients that will have to go into an ideal type of student-aid program.

Mr. O'Hara. Thank you very much. You know, I think that one of the problems that all of us have in terms of higher education, is that probably there has been less change in the delivery system in higher education since Harvard University was founded than in any other way of doing things in the entire country.

We keep trying to think of the whole problem in terms of the way we've always done things as being the only good and correct way and then how do we try to adapt to that because even though it is the "only good and correct way" it doesn't produce enough opportunities for people. We say don't touch *the system* in any way but let's figure out ways that we can make more opportunities. I think we ought to be thinking about ways of changing the delivery system, maybe that's our problem. The California people have had a notion that they're going to create a community college within commuting distance of every potential student in the State of California and not charge any tuition to go there. That may be a more efficient way of doing things.

One of the great costs, I guess, the biggest cost of higher education at least according to one of those who participated yesterday was the noninstructional cost. It actually costs you more to get yourself to the institution and to maintain yourself there than it does for the instruction you receive there. I think we ought to bring the institution to the people. I understand that the California community college system, finally after a great struggle. Minnesota, after a great struggle, won from the State college a confession that their students would be automatically accepted for transfer into the State college system and their credits. It used to be in California that State colleges took some community college transfers and didn't take others, and now they take them all. And the reason they started taking them all was they did a study to show why they shouldn't take them all, and the study proved that the community college transfer did better in the third and fourth years in State colleges than did the people who had gone the first 2 years in State colleges, on the average.

Maybe it will be more efficient in the long run instead of trying to help students maintain themselves away from home is to bring the institutions to the student and then make it possible for people to attend it at no cost. I am trying to be provocative here. I am trying to suggest that maybe we don't have to keep thinking of doing things the same way we've always done them. I know Georgetown has been there a long time, but maybe it ought to change into an urban institution,

C. Then we've got another point, that you mentioned. And that is the eligibility of high school students to go into junior colleges and the eligibility of junior college students to go into 4-year colleges. Each of us hears what he wants to hear in these presentations, but if you recall the chancellor of the Chicago City College System made the point, he thought it was a good point, that 30,000 of the 80,000 students attending the Chicago City Colleges are in basic education, 40 percent of students. Now in my mind this is an extravagance to the taxpayer. The taxpayer has paid to teach students to read, write, and count in elementary and secondary system. And now he is paying for Chicago City Colleges, 40 percent of which is doing the same thing which we paid for already. I just don't see where this particular thing is helpful to anybody.

Mr. O'Hara. Maybe he didn't pay enough because the student didn't learn for whatever reasons . . .

C. How do you expect them to learn now what they didn't learn before. I am just posing the question, I don't know the answer to that. You might consider whether we're spending taxpayer's money in duplicating with compensatory education that which I think would be better spent on better elementary secondary education programs.

D. Mr. Chairman, may I just add a caveat to your last observation? We have a population of 3.8 million people, we are one of the highest income taxed States in the union at the present time so we have put our money where our mouth is. We are now bringing the institution as close to the student as possible with area vocational technical institutes, and junior colleges. We have put an enormous amount of money into capital outlay to bring education within the commuting distance of every community of about 3,000 we spend a large amount to operate these institutions.

Now that is the other side of the coin which means a State has to be very careful where the two curves intersect, where the fiscal capability curve intersects with the desire to make access as convenient, as direct, as opportune as possible. So our State right now will find itself with junior colleges with very small enrollments, area vocation technical schools with very small enrollments.

And then there is a very interesting question, what is the minimum mix that you need? Is there such a thing as a minimum student body to provide the kind of diversity, curriculum, and program that is valuable and sound.

And to what extent will the people support through high taxes this kind of a readily available educational system? I had breakfast yesterday with some of the Governor's people and the pressure to do something about this proliferation is very great. So this is the other side, I just wanted to point out.

Mr. Dellenback. D, has it reached a plateau or are you still talking about expanding?

D. Without making reference to any quality issues, what has actually happened is that the junior colleges and area vocational technical institutes have seriously cut into the State college enrollment picture. The junior colleges and the tuition free area vocation technical schools are increasing in enrollments. Both of them, seriously in some instances, cut into the State college enrollment picture.

Mr. O'Hara. That's happening in Michigan as well for whatever reason, but I think there are probably other things too. In other words, State colleges have been oriented to teacher education in fair part. And because of the current difficulty in the job market for teachers——

D. Although they are turning around and becoming more career oriented and——

Mr. O'Hara. E hasn't had a chance to jump in here yet.

E. Mr. Chairman, you wanted to be provocative and I'd like to differ if I could.

Mr. Dellenback. You mean you don't want to be provocative.

E. When you were making your comment before you reminded me of an uneasy feeling I have got about higher education. That is the equation is always made between access and education. Transfer is good, the number of students getting in are the measure and so on. What worries me, and California is a marvelous example, is there are after all something like a million, 430 or so thousands of students in California. And if one looks at that that's an enormous accomplishment, and I believe it is an enormous accomplishment. And when one looks at the question are students getting educated, one gives away much less anyway, certainly I do anyway. There are a growing number of studies about how much college has an impact on students, and I've just been at a workshop where I was teaching a seminar on the subject. And to sum up that literature it sort of says college has an enormous impact on some students, some but not much impact on most students, and a negative impact on quite a few. It is not at all uniform, and in fact it doesn't equate at all with the whole question of piling up credit hours. One of the reasons that students who attend community colleges and then transfer and go on and do well at State colleges is because they're highly motivated survivors. You are talking about a narrow band that make it through this very uncomfortable system. You mentioned getting the college closer to the student. I think there is a couple ways we ought to talk about getting the college close to the student, and I think Federal programs have an enormous impact on us. First of all I think you have got to make sure that in fact the institution the student goes to is reasonably matched to the student's interest and capacity.

There are all kinds of community colleges. I had the chance to spend some time with a team from Hostos Community College in the Bronx. It is structured entirely different than any community college that I've ever seen in California. It has a much higher retention rate, it deals with a very poor minority population in the Bronx, educationally disadvantaged. Its retention rates from everything I can find out are two or three times as high as the community college in California. So part of what I am saying if there is a function of determining educational effectiveness, and I think it's important for the committee to think about what impact Federal programs have on the nature of effectiveness of the institution.

What the current pressure is is simply to worry about shoving this mass of people into something called a college, and the very highly motivated ones work their way through and the rest sort of somewhere along the line drop out, and we call that giving them an opportunity. Second thing there is considerable impact not only on the institution but on the student. Different programs have different impact on the student's capacity to learn. If you look at what makes a student's education effective almost always the question of the student's motivation comes to the fore. The motivated student learns, the unmotivated student doesn't. Exposure to a classroom doesn't seem to do anything for anybody. Exposure to a classroom when you are motivated does everything. And there is a lot of evidence in this. Let me just remind you that there have been a whole series of studies on GI's returning. And what inevitably happens to GI's who return is, and every study that's ever been made of returning students of any kind—GI's, Peace Corps returnees, older women that come back, older students that come back, people that have been out working, everyone shows the same thing. People who come back after an external experience are more motivated and get more out of the classroom experience, their grades go up. If they have been a bad student their grades go up even more.

So one of the things that I think is important to ask this committee is, what kind of Federal programs help motivation, and what kind hinder? And for example the worst kind of program generally speaking I think there is a place for it but a limited place is loans. Loans have a very negative impact in my opinion. One of the things that I'm highly in favor of is work opportunities as support because a student who is drifting along going to college because he doesn't know what to do with himself and so on (of which there are plenty), if he gets enough financial opportunity, he'll drift because he doesn't know what else to do. There is an enormous number of students who drop out of college because they don't have the motivation to complete, but there is another body of students who are highly able to do college work who hang around colleges because they don't know what else to do with themselves. If you applied the story of the English professor that wanted to get his class to understand the trauma facing Hamlet so he tried to put it in modern terms and he said, "Let me put it this way. Supposing you had been away at college and you came back and you found out that your father was dead under very suspicious circumstances and your mother had married your uncle, and your uncle had taken over the family business. Not only that but your uncle had assigned someone to watch you personally. And finally your girl friend told you she was pregnant, what would you do." The student jumped up from the back and said without hesitation, "I'd go back and get a masters." That is our problem; there is a dual side to this thing. I think that we can think of ways that the emphasis that one puts in these programs has an enormous amount to do with whether the student comes motivated or unmotivated. So when you talk about how would you restructure these programs, I'd put less emphasis on loans. I'd put more emphasis on work, I'd put more emphasis on work during the school time and before the school time.

We have very few programs where the student goes out and works and piles up the capacity to go to college because he's piling up student aid, and then goes when he gets finished. The GI bill is the only one. We proposed a GI bill for community service which I think has the great advantage of saying if you are motivated, you really work, you pile up this then you can go to college. Then you've got a student who has not only got the resources, but he has got the motivation. I guess my point is that we ought to be very careful to think through the impact of these programs and not simply concentrate on the fact that we can all sit back and feel good about the fact that in California 70 percent or something like that of the age group goes to college, without any measure of whether anybody is getting educated.

Mr. O'HARA. Of course, that gets into what's a good education or education for what. I have a little different notion of why community college students do better in their junior year in the State colleges of California than do those who took the first 2 years there. And that's because the people that took the first 2 years at the State college have no alternative really. Either they become a dropout or they hang on and do another 2 years. Whereas the community college kids did have an alternative, they could have taken an associate degree or some less than baccalaureate program and gotten out with a credential at the end of 2 years if they didn't want to go on. So really it's much the same thing as your observation except that I am saying the reason why the community college transfers are better motivated than the kids who have been in a State college all along is because they had certain options open to them that the State colleges didn't. And therefore only the ones motivated toward a baccalaureate degree ended up in the third year.

I am wondering about doing something about nontraditional education. I don't think that every kid ought to get a baccalaureate degree, but what is that kid going to do if he doesn't get a baccalaureate degree? You know that it is the common knowledge of everyone nowadays, "you just can't do anything if all you have is a high school diploma." All kinds of employers require credentials if you're going to be a file clerk. Why, you can't find a decent job if you don't have something after high school, any kind of a decent job. And so either they become instant failures or we force them into a traditional college system. I think the reasons so many kids don't go in is that they aren't interested in the traditional system, and there aren't a lot of opportunities available to them. So I don't know, maybe we should worry more about that.

Mr. DELLENBACK. These discussions are fascinating. You can get started and go from here philosophizing on this type of thing. And what you have done is open this door not just with what we are banging at the moment, but to the whole question, I mean, quality of education, futures, a whole bunch of things. In significant degree, what we're hoping will happen with these brain stormings is that we'll have enough lumber in the yard, enough pieces that are formed and they are no longer trees out there, and they are no longer blueprints, but they are pieces of lumber, that we can now proceed to construct something. Now should we construct it on the model of exactly what is there now and just round off some edges and sand it and change the few minor features or should we really make a major reconstruction? Now, E, you waved one blueprint at us as you went by that had in it that germ of make a major reconstruction so far as loans are concerned. I'd like to have you walk the next step.

I don't think we can, at the moment, reach into the States and redo the States, or at least I don't think that's maybe our role; maybe it is. You've hit another thing that is really titillating, and that is the question of, a thing I like, the building of eligibility with something like a building up through a volunteer Peace Corps type of thing. Same sort of thing that the veterans have. I think that is a great idea, and I like that. I happen to react very positively to the idea of the work concept and somehow in occupational education, career-oriented work, and work-study, this kind of thing it seems to me is a good thing. But would you walk a step further and say now what specifically are you suggesting? Are you suggesting that we cut down on the availability of loans, that we put limits on them, that we get the Federal Government out of the picture and leave it to States, that we go ahead with SSIG and put our heavy emphasis on this? What is it that you'd have us do; what is it that you'd throw out as a suggestion there; what do you do with CWS? Would you make it more flexible so that student aid officers can just get a package of money and they can use it for grants, they can use it for work, they can use it for loans, they can do—or would you move the other way? Could you flesh out the bone a bit?

E. Let me take those points maybe one at a time quickly if I can. First, I think that Federal programs have far, far more impact than anyone would imagine. There are all sorts of harmonics and overtones to them. They have a powerful, powerful impact, even when you don't intend it to have an effect. And it is always amazing to me somehow when you are out in the boondocks and Federal Government is attached to anything it is just an electrifying effect. And that's a very dangerous thing if it is not used very thoughtfully.

Let me give you an example: The danger to the kind of thing I think you are talking about in terms of nontraditional education is that we are going to move most of higher education into sort of a service bureaucracy. In most places the pressure is on an increasingly similar set of institutions gradually bureaucratized in a way that I think, is very unhelpful in the kind of things that we are talking about in nontraditional education. The pressure gets to be, how do you run the system in the safest way, not the least costly way, not the most effective way, but the sort of safest way? Okay, what can the Federal Government do, what does it do in this program? First of all most the things it does in this programs, add to that pressure of bureaucracy rather than subtract from it. What kinds of things can it do? Well first of all every State has now got, because you said they ought to have, every State has now got a State coordinating agency, it went like wildfire. California had a law introduced before the guidelines were firmed up, simply on the grounds that it was supposed to be ready. Somebody in the Federal Government whatever that is was told that it was supposed to be ready so there is a law introduced. Everybody is running around trying to get ready. In my opinion there is a couple things you could do that would have a powerful impact on the nature of State coordination. First, State coordinating agencies need real power otherwise they will try to run institutions. If they try to run institutions with the kind of bureaucratic pressure that oppose nontraditional and variable education that matches the student's need will rise.

What kind of real powers can the Federal Government give them? I think three. First I think you can expand the SSIG program so that the State can influence the nature of where students go and how they function through this student day programs that they run. I think thats an excellent program and you saw how responsive States were with that. The small amount of money got you an enormous response. So if the State at a central point can give out scholarship money, it can influence the flow of students and everything and it doesn't have to hammer institutions in to submission to get response, that's one avenue. I think the second avenue you could give a State is to give it a matching amount of money that functions something like the fund for the improvement of postsecondary education. Its an easy way to get a very powerful impact. I am constantly amazed at the impact that small amount of money, $10 million a year, is having on creating the kind of nontraditional education you are talking about. Creating the kind of responsive community colleges or responsive State colleges or anything, it is having an enormous impact on trying to get effectiveness.

If you give the States a matching amount of money, suppose you matched it one-to-one and let the State coordinating agency put a fund together. It doesn't have to hammer institutions and it doesn't have to come around and tell you will do the following. It can say look we've got some grant money here, we are interested in the following. If you want to apply, fine, if you don't want to fine, we will give it to one of the other institutions and it will get response without the need to get administrative control. Third, you have experimented with the question of the educational opportunity centers, I think here is a program that gets into it.

We've now got a whole different problem of counseling and advising not only about student aid but about academic programs. How does a student find where to go to college? He can't go to the high school counselor because increasingly the college student is not from high school. And first of all high school students don't go to high school counselors to begin with. So you need some free standing agency that one can go down to and say, "What kind of academic programs are there? What kind of financial aid is possible?" And here again the State has a central agency with a powerful impact. So it seems to me one can structure Federal programs that lean toward that end, that give the State considerable clout, considerable power, get the Federal Government out of the detailed regulation business in many ways and yet have a powerful and positive stimulating affect on access, effectiveness of education and openness of the institutions.

Mr. **Dellenback.** There was an amendment proposed to the appropriation bill before us which of the four members you see here, three were cosponsors and all four were strongly supportive of it. So you've hit a very sympathetic chord with those varied points which you've now put your finger on. I couldn't agree more on those issues, these are things which we should——

E. Let me just add one thing and then I want—don't want to get carried away too much, but I think one can also when one thinks about the nature of student aid the reason that we put so much energy into the GI bill for community service trying to think that through was that we kept thinking about what is it that you want the student—how do you want to make that student really think about a scholarship education. I think there is a danger in simply extending current programs without thinking about it. I think the tendency in all the testimony, I read your back testimony, and the tendency is for everybody to come in and tinker with the existing programs. I think we really ought to—you mention loans, let me give you an example of the kind of thing that just curls my hair. I had a call from a fellow that heads our Chicano program and he said, "Can you help me find $500 to help one of our Chicano students get out of law school." I said, "What do you mean?" He said, "Well, he needs the final loan." I said, "Well for heaven sakes, why don't you call the financial aid officer." He said, "Well, he has been there and he has kind of got to his limit." I said, "Wait a minute, why don't you tell me about this case, I'll come over and see your office because I want to learn a little more about this." So we got out his file. His graduating from law school this year, we finally did get him a little extra because it was a complicated thing. His loan, as he got out, was $22,000. I don't care what anybody says, the social disadvantages of that are enormous. To begin with think about what that man is going to think about 8 years from now when he is paying about $350 a month and someone tells him, you had a wonderful chance to go to college. He is going to say, "You're out of your mind, I was taken by the system." I think that there ought to be severe limits on loans. Loans say another thing to students, they say "coast along, go along, the system will pay you. You probably don't have to pay this back, it's all going to work out" and so on, that's a lot of bologna.

Mr. O'Hara. The law students are better off than the other students because he learns in law school how to file for bankruptcy. He is the only guy that can really handle that very well because he can file his bankruptcy right away, but it is the damnedest abomination that business of saddling these kids with all that debt. I remember when I was in law school, and I always harp back to my personal experience, I ended up my last semester my GI bill ran out and I ended up borrowing $500, something like that, and I had a wife and two kids and I got out and I opened a shingle and started trying to practice law. I had a hard time keeping the process server out of the office. And then all of a sudden the payments came through on the $500 loan. I tell you it was murder to try to handle that.

E. Well there is another implication of it. I am going to be questioned about this because one of the members here put it forward the other day. There is a constant argument that's made that going to college will make you money. In fact, there are only 5 or 6 studies that I know of that have looked at this. All of them indicate the same thing. Those people that would have made money, make money. The point is college graduates make more than nongraduates, but on the whole it is because the people who go to college are more motivated, more effective.

Mr. O'Hara. I point that out in speeches occasionally.

F. I would like to reinforce what E has said and pursue a few points further. I have been on two sides of the fence, as a financial aid officer for several years and now I am on the State side.

Both B and A have talked about program modification; John Phillips and his task force have talked a good deal about program modifications. I would have to agree with E, that more patchwork to current programs is simply not the answer either in terms of insuring that needy students are the rightful beneficiaries or that students in general will receive equitable treatment. What we ought to be discussing is delivery system rather than program modifications.

I am talking about delivery of financial aid rather than delivery of education. To echo E, the SSIG program has had a tremendous effect on the States in developing new programs and pumping additional moneys out of their own legislatures. Perhaps we could channel all Federal aid through the State on some kind of uniform formula basis. Then institutions would not apply individually for financial aid but the State would on behalf of the institutions. In addition the necessity for multiple student applications might be done away with. Currently a student applying for aid programs to support his postsecondary educational opportunity makes an application to the State, to Iowa City for a basic grant, to the educational institution for college based Federal aid, to private foundations and to his or her local bank. All programs operate with different rules of need, with unique application forms, with different eligibility criteria. And USOE somehow tries to monitor it all.

Now that we have the SSIG administered by States, perhaps other student assistance programs could be brought under the same umbrella—a full complement of programs administered by the State. I am also suggesting that some legislative and administrative changes to some of the current programs are needed and that some of the current programs could be done away with. I can see SSIG being a tremendous incentive to the State commissions.

Mr. Dellenback. What would you do away with?

F. To begin with, I think I'd do away with SEOG.

Mr. Dellenback. Would you phase it out or would you just zap it out?

Mr. O'Hara. You might have to grandfather the present recipients.

F. That's right. I think you might have to do that. You would want to make sure that whatever were appropriated under the SSIG program would at the very least be brought into line with the SEOG appropriation for the last couple of years.

Mr. Dellenback. Just the bridge between BEOG and SEOG should lead to a phasing out of SEOG, at least phasing it way down.

F. My concept of BEOG differs from the intended concept. The notion of tying the basic grant to the cost of education—which of course has not materialized in its initial phases—ought to be done away with. The basic grant—and all other Federal and State aid—ought to be direct aid to the student and channeled through the State commission as the SSIG is intended to operate. Further the basic grant should be an entitlement based solely on family income and not the relative cost of education at a particular institution. The amount of the basic grant might be tied to the expected parental contribution of a middle-income family. For example, if the parental contribution expectation for a middle-income family is $800 or $1,000, the basic grant would be used as an equalizer for the low-income families, in other words, the parental contribution expectation at the moderate level less the amount of parental contribution at lower levels might be the calculation for a basic grant. The other Federal aid programs would be available to supplement the basic grant to meet the full costs of postsecondary education. The SSIG program in particular might be used to meet the special needs within an individual State; for example, a large pocket of very low-income students or a tribe of native Americans ineligible for BIA might be the target group for some SSIG funds. Those funds, SSIG, should be used at the discretion of the individual States to meet unique needs. But all other Federal funds (that is the traditional college-based aid funds) would accrue to the States based on a uniform formula for all States, so that institutions that might inflate tuition or have their students assume a larger portion of instructional costs, would not automatically enjoy a greater proportion of the Federal dollars. A uniform formula might be patterned after the current State formula for the allocation of CWS funds: (1) the number of low-income families in residence, (2) the numbers of students enrolled in postsecondary educational institutions, and (3) the numbers of high school graduates in a given year.

In order to reach that "ghost" population—that nontraditional population currently being encouraged back into the educational system but not included in the State formulas, would be each State's individual efforts. In other words, each State would have the responsibility to do its own PR for advertising the availability of postsecondary educational programs. Since I have moved out of the university down to the State capitol, I have had numerous phone calls from parents and from students who think that our State agency is there to provide assistance answering questions about what is available in higher education in the State. It has been a tremendous eye opener to me to find out that students who do not have an institution already selected, but who are planning to attend or desire to attend, have no visible avenue for finding out just what kind of educational opportunities there are within a State and how those opportunities could be financed. It is clear that on the campuses themselves the financial aid officer has not had the time nor the inclination to advertise the availability of a wide range of student aid programs with the scare resources. In my own experience in the year 1972, applications for financial aid jumped from 10,000 to 16,000. There was no way that I was going to promote an advertising campaign after receiving 16,000 applications, most of whom would be turnaways due to lack of funds. Perhaps that is one of the reasons that I see the State, maybe under the 1202 configuration or whatever, in the natural position to develop a uniform student application for financial aid for all programs administered in the State and then the student would apply not to the school but to the State and indicate institutional choice within or without the State. The State would then develop the aid package for the student, drawing a separate package depending upon the variability of costs by institution. Within a given period of time the student would specify his institutional choice and accept the aid package appropriate to that institution.

Some States already administering State funded aid programs may have problems with residents attending school out of State—some allow students to take such funds with them, others do not. I do not think we want to discourage institutional choice, but if the student makes a high cost institution his choice, then there is a certain responsibility that he or his family must assume; that is, the added financial burden of financing nonresident fees or whatever increased costs there may be, perhaps through the guaranteed student loan, or other self-help. Several studies show that parents are more willing to share a greater financial burden for the opportunity to send their children to private schools of some prestige.

I am troubled by a very basic issue—for whom is postsecondary education intended? The notion of proliferating community colleges would indicate that everybody without exception ought to take advantage of postsecondary educational opportunities which means diluting education for everybody or providing duplicate and homogenous programs for all in order that everybody collects an AA or BA degree certificate. If the individual student, as suggested, were to make application to a State agency and not to the school, perhaps that student initiative is some measure of his or her motivation to pursue educational opportunity. State administered aid may get us away from the very bad scene of institutional competition for Federal moneys. Educational institutions should be concerned with beefing up academic programs to attract students who already have the money in their pockets rather than buying the student with institutional dollars.

D. Mr. Chairman, may I have a moment then to address you and your colleagues on a very nonidealistic, very pragmatic, and a very limited interim solution to some of the extraordinary, complicated questions which I think you have raised here. First of all, Mr. Chairman, allow me to say in a somewhat more sentimental way that your support of low-cost tuition, and your colleagues, has been a extraordinarily important aspect to us and those of us who are committed to a somewhat old-fashioned populist view of facilitating access and opportunity and diversity to student choice, student opportunity. I have a brief paper here that I would like to get through in defense of economy of time, and I know you are rushed here. I would like to go through it very quickly. Any discussion of the financing of postsecondary education must in my judgment be prefaced with a brief reference to this country's public policy commitment to mass higher education. The historical development of that commitment from the Morrill Act to the Higher Educational Act of 1972 is well known and needs no restatement. The relevance of that commitment to current and future national goals and requirements is, however, worth noting, especially in the face of simplistic analysis which suggests the productivity and capacity of postsecondary institution has extended beyond the manpower and educational requirements in this nation's economy. This is partially the point that has already been touched.

To those who would view the relevance of postsecondary education in terms of job-related training requirements, I would suggest the world is in the midst of several revolutions, technological, political, and economic effecting every country in the world, every class and every citizen. While there are many including myself who would assert that postsecondary education has not fully realized its potential in leading and assisting analysis and explication of contemporary problems, certainly few would deny the need to expand the knowledge of the citizenry in such issues as the energy crisis, and the consequence of employment and unemployment, international economic relationships, balance of trade, ethics and the public service, individual and institutional racism and sexism, the rebuilding of the urban and rural communities. Clearly these issues and many others transcend narrow career oriented education. Moreover they have relevance for all citizens, not just the 18- to 22-year-old oncampus students. At the very time that postsecondary education should be expanding its horizon to address the needs of a broader clientele, however, many institutions are faced with a forced retrenchment and constriction of program scope which results from two concurrent factors. One, inflation, has created increasingly severe economic strain and two, oncampus enrollments have leveled off in many cases actually declining substantially. The impact of inflation can be readily seen if we note that it has approximated 10.7 percent during the past 12 months alone, from May 1973 to May 1974. At that rate the purchasing power of the funds available for financing of educational costs has been eroded by almost $1.3 billion. Few States, if any, provided such an inflationary rate in their appropriations made available to public institutions. The consequences in terms of tuition increases and program reduction and erosion of faculty and staff salaries have been obvious.

In some instances, the burdens to students have been particularly severe. In the case of Minnesota, for example, a well established policy that tuition should equal 30 percent of operating costs resulted in a direct relationship between inflation and the cost of postsecondary education to the consumer. The impact of stable or declining enrollments is equally evident. The enrollment-related budget appropriation formula utilized in most States have assumed a whole new dimension as enrollment trends are reversed. The imperfections of incremental budgeting which were readily tolerated in an era of increasing enrollments now brings cries of anguish. Quite understandably few legislators have demonstrated a ready willingness to change the rules of the game in the present environment. Worst of all, the inflationary spiral and its tuition consequences tend to exacerbate the enrollment situation. While the National Commission on the Financing of Postsecondary Education estimated that each $100 increase in tuition would depress enrollment by 1 to 3 percent, a recent Wisconsin study indicated through empirical data an actual impact of 4.8 to 12.2 percent. Moreover a study soon to be released in Minnesota indicates substantial demand elasticity for 4-year institutions located outside of Metropolitan centers. Why that would be the case becomes evident when we examine the family economic status of students in my State's college system. Eighty-nine percent of our students come from families of incomes under $15,000. Seventy-four percent from families with incomes under $12,000. Forty-one percent of our students come from families with incomes under $9,000 and 19 percent from families under $7,500.

In a recent study of students who dropped out of one State's college, of those who listed "lack of financial resources" as a major factor in their decision, 70 percent came from families with incomes under $7,500. Fifty-five came from families with incomes under $3,000. As a matter of fact, one of the points I wish to make by way of a caveat with regard to the Commission on the Financing of Postsecondary Education was that much of their modeling was a conceptual modeling, a definitional modeling, and really not a behaviorally sensitive and empirically substantiated model. And there were certain manipulative assumptions which are very sound, given certain assumptions, but we have to push beyond the definitional model, I think, into the empirical model. Really what happens, what precisely is the student response to particular strategies of tuition and what actually happens beyond the impact of increasing tuition on current students is the question of formal opportunity, a sort of a broader clientele.

Howard Bowen, in a recent address to the Association of Governing Boards reported the following statistics: In 1972 only 15 percent of college age youth from the low-income groups enrolled in postsecondary education, while 56 percent from high-income groups were enrolled. If women attended postsecondary institutions at the same rate as men, if low-income people attended at the same rate as high-income people, total enrollments would be increased by 6 or 7 million students. As you know the increasing seriousness of the challenge presented by these facts has led to a national discussion of the entire question of the financing of postsecondary education, and the various reports need not be reviewed here.

The major issue which has emerged in the discussion to date centers around the question, should the pricing structure of postsecondary education be fundamentally altered so as to redistribute public tax support? In simple terms, proponents of such an approach suggest that tuition price in public institutions should be greatly increased so as to more closely reflect the cost of providing the services involved. Greatly increased financial aid should be made available to offset the impact of such increases to students in need of assistance. Such an approach, it is suggested, would provide the most effective utilization of public resources in that tax money would be targeted to students in need of financial assistance instead of being used to keep tuition low for all students regardless of financial condition and would allow students increased options in that tax support would not go directly to institutions, but would be portable. Additional desirable results are foreseen in the improvement of the competitive position of private institutions, and changed and access patterns. Those opposed to such a fundamental restructuring of existing relationships see major problems of an unacceptable magnitude.

First, it is clear that the burden of the redistributing process will fall heaviest on the middle class, a group already hard pressed by inflation. Two, making tax support portable by targeting it to students instead of institutions ignores the fact that the public colleges are multipurpose institutions providing a range of public services which extend far beyond classroom instruction—and incidentally, tuition counts a small share, obviously, of the total cost structure. The determination of financial need is an imprecise and often inequitable process due to the complexities of disposal income analysis. Four, the decreased age of majority, in many States and the increasing percentage of students who declare themselves emancipated from parental support and control further complicates financial need analysis.

The perceived barrier of high tuition rates will prevent many students from applying for admission and for a determination of eligibility for financial aid. A significant proportion of the population, particularly in the middle class, finds the very concept of seeking financial aid unacceptable.

While numerous other concerns can and have been expressed, it is clear that the proponents of low tuition in public education are firm in these convictions. One, low tuition is the best guarantee of the widest possible access to postsecondary educational opportunity. Two, tuition should not be used as an income redistribution mechanism, when more equitable means are available for that purpose, such as the Federal income tax. Three, reliance on financial aids as an offset to high tuition presents severe problems in perception and inequity. Therefore I have some recommendations to make. While the discussion of an appropriate public policy direction in the financing of postsecondary education continues and intensifies, it seems clear that no consensus at this point is in sight.

With inflation approaching an annual rate of 12 percent, I would submit that to defer action until a consensus can be achieved is to insure further tuition increases, program reductions, and the possible demise of many institutions. What is required then is an interim solution to the immediate fiscal realities confronting students and institutions, an interim solution which recognizes the urgency of the current situation as well as the complexity of the issues under discussion.

Such a solution might be structured as follows: One, 1973–74 would be designated as a base year for a national higher education cost adjustment factor. That cost adjustment factor would establish the national average educational cost per student, in public 2- and 4-year institutions through the formula provided in section 419 of the Higher Education Act. Two, since 70 to 80 percent of educational costs reflect salary expenditures and since salary costs have a tendency to follow cost of living trends, the cost adjustment factor would be tied to the Cost of Living Index computed by the U.S. Department of Labor.

Three, the annual percentage change in the Cost of Living Index would be applied to the cost adjustment factor, and the resulting dollar amount would represent the per student institutional aid made available to all public and private 2- and 4-year institutions. Four, to provide the aid in a timely fashion, the index change would be computed on calendar basis, January to December, and payments would be issued each March on the basis of the previous fall's enrollment. Such a time frame would enable institutions to estimate and budget the aid on a current fiscal year basis.

Five, State and local government units and private institutions would be required to maintain per student support at the 1973–74 level unless unusual circumstances were demonstrated to the satisfaction of the U.S. Office of Education.

The above proposal then would provide direct Federal assistance to every public and private postsecondary institution in an equitable manner without requiring that complex and difficult value judgments be made beyond recognition of the severe consequence of the inflationary spiral to an increasingly fragile and hard-pressed endeavor. The proposal does not address itself to the fundamental and complex issues which have plagued the debate over the financing of postsecondary education. It does not address itself to the basic roles of Federal State and local units in the financing of education.

It does not seek to redirect Federal funding patterns which currently exist. It does not seek to order the current cost and tuition differentials between public and private institutions. It does not, lastly, address the issues of altering student access and subsidy patterns through a retargeting of the existing tax support at the State and local level. Somebody might say it is a typical administrator's expediency, but so be it.

The present proposal does represent a limited, but pragmatic effort to address a fiscal crisis that endangers this country's postsecondary education enterprise and activities. It recognizes the reluctance in Congress to radically transform established financing patterns to a philosophically more symmetrical, but politically less likely basis.

Such a reluctance is of course understandable in the absence of any consensus in the educational community itself.

This proposal does then: One, recognize and continue a pluralistic approach to the financing of postsecondary education, an approach whose diverse funding strategies have evolved through the give-and-take of the political and of the social processes. Two, it does reflect a commitment to the preservation of diversity and multiple options within the postsecondary spectrum. Three, it seeks to preserve relatively wide student access to multiple options.

Beyond fiscal considerations, there remains still greater challenges to all of us. As educational partners, we are all engaged in the common enterprise of enormous consequences. And only the future, of course, will tell whether we were possessed with sufficient imagination, intelligence, sensitivity, good will, and administrative competence to make the curricular changes that need to be made; whether we will be strong enough to break with uncritically accepted instructional concepts and practices; whether we will be wise enough to learn from what our concerned young people are trying to tell us about academic relevance and integrity of conviction; whether we will be creative enough to discover ways to eradicate the evils of violence and war, of poverty and disease, of environmental pollution, and social waste; and whether we will be courageous enough to fashion an educational commonwealth dedicated to human brotherhood and dignity. Thank you, Mr. Chairman.

Mr. O'Hara. Thank you, D. Let me ask you this. Your recommendation is that we do something additional to hold tuition levels down. You don't propose this as a substitute for the existing BOG, institutional based, or whatever program.

D. No, sir. I am concerned about the very serious erosion——

Mr. O'Hara. You are saying you ought to put a high priority on holding down the cost to the student which is now being driven up, that we ought to adopt a strategy like the one you suggest for holding down the cost, for controlling the cost to the student.

D. I am seriously concerned, Mr. Chairman, that unless some measures are adopted and recommended that will address themselves to the financing of education in the face of collective bargaining lagging faculty salaries, and rising costs and prices, quality education, and programmatic diversity, go down the drain unless we address ourselves to a situation which is upon us right now.

And I am not sure that I see a consensus emerging on a very fundamental change, and I must agree with A that there are some very good elements and with B, they need to be adapted, they need to be refined. I don't see a fundamental consensus emerging and pending these adjustments, I think the Congress should accept the realization that costs are rising, the pressure by legislatures to increase tuition will intensify.

I realized that you opened this seminar with an appeal to roam freely and allow us to devise an idealistic fiscal response here, and I come down very hard and very crudely in a pragmatic way trying to meet costs.

Mr. Quie. Have you done any costing out of this yet?

D. Let me put it this way, if it is $1.3 billion that we have lost last year, I don't expect Congress to provide $1.3 billion, but I could see a gesture in the direction of the inflationary factor which would have to be politically feasible. And I am in no position to precisely identify what that level of feasibility would be.

Mr. Quie. If the total cost of higher education is $32 billion, and you talk about 12 percent extent, that is $3.8 billion.

D. We're dealing with a very large sum, but the reverse, Representative Quie, the reverse of the coin is that there is a lot of quiet erosion going on that does not dramatically come to the attention that affects the quality of instruction and program.

Mr. Quie. You indicated the percentage of students in the State college system of families of various incomes and those who have indicated the lack of financial resources as the reason why they dropped out. Seventy percent of the families are below $7,500, while of those who are in college 19 percent are below $7,500. And we get the story that the colleges are going to be filled with the wealthy and the very poor. It looks like all we've done here for the very poor hasn't helped agreat deal. Or was the situation worse before? How was it as far as the percentage of the very low income who went to college back before there were any grants, and we had the so-called low tuition?

D. That's a fascinating question. I asked that very same question of our financial aid people and they're telling me that the financial package available to the very low income people is quite reasonable, but it does not address itself to the displaced income dimension. It does not address itself to the nontuition and non-going-to-college expenditures which some members of the very low income group have to meet. It may look pretty good, pretty reasonable in comparison with the actual effective demands for fiscal aid at the office of the aid officers, but it does not reflect the hidden financial requirements of the very poor that never come to the attention of the financial aid officer. This is a very subtle and a very complex matter. What the financial aid officers tell me is that the real problem is the low middle class which is just on the border. And that the financial package for those is terribly inadequate. And that the family schedules, and the point that B brought out and a number of other factors as such that the numbers are affected by the constraints apparently under low or middle income class.

Mr. Quie. It seems to me from your figures that the strain must be greater on the poor.

D. In one sense it is and then the other in terms of the resource available, it is not.

Mr. Dellenback. Are you drawing that line at $7,500 in your rough delineation? Then Al's point really is sound that 70 percent of those who lean on financial resources as the reason are below that, not above it.

D. The difficulty with that particular figure is that this is self-identification. This came from a questionnaire, "do you believe that this was the cause." This is not absolutely—

Mr. Quie. We've run into that problem before, as you know, they identified themselves, but the figures weren't that fine.

D. Well, this is the only figure——

Mr. O'Hara. I don't know, Al, it just says of those who dropped out and who, when asked, said financial reasons were part of why they dropped——

D. It is a very soft kind of data.

E. I think one has to be very cautious about why students say they dropped out. We did a very fascinating study; we were very interested in the reasons students dropped out, and we made a test at several different places; one of them was UCLA, because UCLA has a exit interview. We discovered that the same kind of data shows up, students drop out for financial reasons. So we interviewed dropping-out students after they had the exit interview. We discovered that the reason they give financial reason as the reason for dropping out, is, they find it very socially acceptable, and they think it will guarantee their return. They think they can always get back in. And very often a student will say things like, "Well, I don't know what I am doing here; I think this place is a pile of junk. I want out of here."

"What did you tell them why you dropped out?"

"Well, I told them financial reasons, they love it, they love it. If you ever want to get back in——"

We had that kind of trouble. I think you have to be very cautious.

D. I agree.

Mr. QUIE. How about that other part of my question? Pull back say to 1952 or even 1962; and what was the percentage of the very poor who went to college then? You said 15 percent of the college aid youth are from very low income. Now what was it prior to the EOG and State scholarship program that really began in the last 12 years?

E. Nationally it is the percentage, the rate among these very poor students that has something in excess of doubled. If you take the rate of the age group, just age group that goes to college and all the people who turn 18 in any given year, what percentage go to college in the next 3 or 4 years? In 1952, 1950, it was something on the order of 18 or 19 percent. In 1972, it was something in excess of 50. The big growth in that has come from the lower middle and lower income areas.

Mr. O'HARA. It's also come in the community colleges.

E. Yes. And one thing you also got to keep in mind in terms of dropout rates is that if you look at who drops out in this country there is a very, very close, very predictable corelation with the kind of institution you are talking about. The rates of drop out, we made a double measure of this, how many students complete in 4 years at the college they entered, and how many students complete in 10 years at any college. If you take the most selective institutions, Harvard, Stanford, Yale, and so on, if you take a 4-year-basis about 82 or 83 percent complete. If you take a community college and you ask how many go right through 4 years and go 2 years and then transfer; we use the figure 20 percent, but most people say it's lower than that. And there is a clear corelation right down the line, but that's only part of the issue. The issue is, it is a different student. The student that Harvard selects is a very academically oriented student who likes to do academic work, is very good at it, and Harvard gives him academic work to do. The student the community college selects, typically doesn't like academic work, isn't very good at it, and they give him academic work.

Mr. O'HARA. Well, I think the root cause of our problem in analyzing where we are and trying to decide where we are going, is, we keep confusing different objectives. If we are talking about financial aid to assist a student who is already motivated to go out and get a postsecondary education more or less along traditional lines, if what we are saying is, financial aid is designed to help that already motivated student accomplish his career objective, that is, we make sure that he doesn't, even though he wants to continue on, actually have to quit because he lacks financial resources. Instead we don't stop there, we keep getting that mixed up with a couple of other purposes. The other purposes being how are we going to involve more low income under motivated, or for whatever reason——

E. Under academically motivated——

Mr. O'HARA. Right. I don't mean under motivated in terms of getting ahead in life or anything like that, but how are we going to bring into the system people who are not now motivated to get into the system as it presently exists. Well, I think there you need an entirely different kind of mix of things. When we had the people here from the Commission on the Financing of Postsecondary Education the other day, we talked a little bit about that. For those needs, I'm not sure that financial assistance is the main thing. I think what you need there is different kinds of opportunities, more nontraditional opportunities to drag in the people who are beyond the usual college going age, people whose parents are not highly educated, and who aren't reinforced in the home, in the culture and so forth to go on and get a traditional college education. We have to create nontraditional kinds of opportunities, different kinds of opportunities. We have to do something about open admission maybe. We have to adopt some other strategies to bring them in.

But as they pointed out, in response to a question that in terms of why people who don't go on fail to do so, the financial reason is relatively low ranking, it's some of these other things. And maybe we ought to try to sort our programs that way.

Mr. QUIE. D makes a good point here. Are we going to help students most by providing assistance to institutions to keep the tuitions lower. There is some of that factor because junior colleges or community colleges tend to have lower tuition, and you have to look at it to see if they can continue to earn money so they don't have deferred income. A community college gives them more opportunity to lessen their deferred income. And then take a look at the student assistance. We've had a period of time to look at these, right now we are helping with the student assistance, and the junior colleges are helping because they don't have to defer as much income. But at the same time increasing tuition is ruining all the help coming from the other end.

D. Mr. Chairman, what bothers me, too, is this inflationary pressure because we also have to open our doors to the part-time students increasingly. I think the Wisconsin experiment, I really think, ought to be very carefully looked at.

Mr. O'HARA. Well, these people around the table might not know what that was. Very briefly the University of Wisconsin in addition to operating the campus at Madison and the campus at Milwaukee and a few others around the State has university centers which are something less than a separate campus. And so they picked two of them that were in competition with zero cost area vocational schools. They took two of them, one in a urban setting, and one in a rural setting, and they just made a big slice in the tuition to see what would happen. And indeed the enrollments took a big jump in both settings. Far in excess of what you would expect from the report of the Commission on Financing.

D. Mr. Chairman, the kind of study that is done in Wisconsin, this kind of experience there, I think needs to be replicated. And I think what we need to do is really measure the behaviorial impact of tuition strategies, and if I could leave one final thought with this seminar. That we should stimulate the kind of experimentation——

Mr. O'Hara. That Wisconsin people did.

D. Right, Mr. O'Hara. Two community colleges that we were told about last fall where they made a special effort to get the enrolling students, those enrolling for the first time, involved in the BOG program because they knew that a very large percentage of their newly enrolling students with low incomes might be eligible for BOG. They made an effort to personally deliver a BOG application to each and every one of those potential eligibles because they were enrolling for the first time.

If they had not yet registered, they were handed an application when they registered. If they had already registered they were mailed an application with a cover letter saying, "Here is a program that you very likely might be eligible for, and it will give you money to help you go to school." And because of the complexity of the form or for whatever reason a large proportion of those who were actually eligible and who actually attended never applied for the BOG's. So to them at least cutting the price was a more effective strategy.

Mr. Dellenback. Just remember the amount was very low in that year.

A. To review that, of the students that we surveyed, and all of them had been given an application, only 17 percent had applied. Forty-one percent said that they had received, but did not apply and 42 percent didn't even recall that they had received an application. And then of those that received an application and were eligible, 63 percent said that they did not apply because they didn't believe that their efforts would result in a grant.

Mr. O'Hara. In behavioral terms, as D has tried to point out, it's one thing to say, "Well, $100 worth of grant is equivalent to $100 price decrease at the other side." But are they, in actual fact, in the perception of the student, are those things equivalent, and will they have the same effect? Will a $100 grant potential have the same effect as a $100 price cut? D thinks they won't.

C. The only point I want to make is that we can never prove that experiment. We should also experiment with alternatives which haven't been tried, to see whether other methods could induce increased enrollments. We haven't tried the full funding of grants to see if that would induce more students. You are proving that, you induce more students by low tuitions, but you are not disproving the fact that you may also induce enrollments by grants.

Mr. Dellenback. I'd like to say two things, Jim, if I may at this stage, one on that. The measure of the BOG situation was in the very early stages with amounts being very low and there was no real history to build on, no real adequate amount. And we are going to have a more solid data after the second year fiscal, and you move from an average of $260 as a grant to $400 and something, from a high of $400 and something to a high of $1,000 and something. And you are going to have an entirely different structure for what BOG will or will not do actually. And I think that while the information is very valuable and interesting and helpful and provocative it is by no means conclusive on one side of the picture, vis-a-vis the other side of the picture. The second thing I would say, is so far as the data of the National Commission on this $100 and what its impact is. That was not a purely theoretical construct, that was built on what empirical data was evident, was already available and that is what the figures which were then available had shown. Now isolated examples or a great deal more than isolated examples may shoot those figures down. But let's not underestimate what it was that was done with those figures, those were a result of an intensive study of what the record showed as of that stage of the game. But understand that that's still an isolated example which indicates something else, it by no means shoots that down. It merely gives us an aberation or maybe a change in circumstances.

Mr. QUIE. If we fully funded the BOG would that be comparable though to the Wisconsin experiment?

Mr. O'HARA. Maybe we ought to do some of these things. Now E had an idea, and I'd like to amplify on it. "Give the money to the States, give some of it to the States, and let the States decide the best place to use it to assist their students." And D had a specific idea of what you ought to do with anything you give out in addition to BOGs and so forth.

Maybe what we ought to do is we ought to say to the States, "OK, States, here is some money. You can use it for tuition grant programs, if you want and you can make scholarship a part of the tuition grant or you don't have to; or you can make it purely need-based. And you can take care of students who attend school in your State or out of your State, that's up to you. Or for that matter you can take the money and use it to reduce tuition, to provide a system of no-tuition community colleges, use it along with money of your own in all cases. Or maybe you want to do a little bit of each. Maybe in the State of Michigan, for instance, you want to take this money and you want to run a little experiment, and you want to take the Macomb Community College which is in my district and make it zero tuition. And maybe you want to take the St. Clair County Community College, which is also in my district, and provide there a system of grants. You have tuitions and costs associated with the community college. But then you give grants to those who show need in order to help them attend. And maybe you can take these too that are adjoining and experiment and see what effect this has on each of those institutions. Maybe indeed we ought to give the States quite a bit of flexibility. You see the States have very different traditions. ———— is a lot different than ————, in terms of the way they support education.

F. I think when the Federal Government jumped into the aid picture, many years ago, and everyone talked about equal educational opportunity we wanted to acknowledge that some States are less able to provide educational opportunity at the same level than other——

Mr. O'HARA. And others are less willing.

F. I think that you would want to make sure that a student who is going to school in Kansas would have the same opportunities as he would if he were a student in California in terms of level of financial support.

Mr. O'Hara. We have all kinds of formulas in various Federal programs that make an effort at doing that, some more successfully than others.

E. But there is just no way that you can give the student from different States the same opportunities, partially because——

Mr. O'Hara. The least successful are the programs under the Elementary and Secondary Education Act, but you see there are ways of doing that.

E. I think there are ways of getting that, but for example you cannot give a student in Kansas the opportunity to go to the university of the quality of the University of Michigan because Kansas hasn't built a university of the quality of the University of Michigan so there is no way to do that unless you want to create a Federal institution of extraordinary quality and openness like, say, West Point or Annapolis. You just don't have that option.

Mr. O'Hara. G hasn't had a chance. He's the smart one, he's waiting to get in the last word.

G. I'm not sure that's true, but let me offer a few thoughts. Responding first, to E and F, and their last comments on creative roles the States can assume. I may be biased, but I do believe your new legislation could and should reflect to how a State can become more actively involved as delivery agent for student aid. I think you could look beyond what you've done with motivating additional grant money. I have records to show that we have grown about $50 million a year, the last 3 years without SSIG. I think we may grow over $100 million this year with the $19 million incentive. I think you should look at what could be done in the same kind of creative relationship with work study money. Another issue involved here, is what is this going to mean to the historic role you've created with campus aid officers being delivery agents versus the States. I'm willing to say that colleges are better prepared for term time and short vacation, assignment of dollars for work, but certainly States could become quite creative in statewide networks of finding employment in summer or terms away from school. They could turn to either profit or nonprofit agencies for employment.

Now another issue I bring up and it relates a little bit what D just told you. I have a strong feeling that you have a real issue ahead of you, and you will have great pressure to preserve all institutions no matter what. I do not believe a fundamental goal is to preserve all institutions that now exist. I truly think we've overbuilt in the 1960s to serve the needs at that moment in time. I think we are in for real problems with the sheer numbers who will want to reach out for postsecondary education regardless of the level of student aid and subsidy. I know it is a little idealistic to say money in the hands of students will obviously bring great rational choices as to what is best for them, but frankly I'd be more willing to take that gamble than to believe we owe it to this country that every single public and private school that now stands must exist forever. I think that would be unwise public policy if we developed something that will preserve them at all cost. I think the student has to be given the dollars that will permit him to make a rational choice.

We have certain States where, regardless of the level, tuition is charged at public institutions. The charges are not oppressive to those students because they know they have access to aid that will pay it. You have other States where whatever tuitions are charged, at public or private, there's little recourse beyond the targeted low income basic grant money. I am going to make it very clear. I think basic grant entitlement is necessary—I wouldn't want you to give that up. I feel regardless of the efforts of certain States, this Nation should say, for certain families of limited resources, you have an entitlement open to you which will at least let you attend some school. I think it is great.

But if Federal funds are going to serve middle income, and you are going to serve the concept of reasonable choice, your development and enlargement of SSIG money to the States to permit them to make awards on relative need will go a long way to permitting those families who are facing the ever-increasing high cost school as their choice, some route toward getting aid to being there. And frankly the issues that face the country do vary State by State and the commitments they've already made. If tuitions go up at public schools, that's the first item I get my legislature to consider in adding money for student aid. Now I know that's not true in other States, but it might become so with the breakthrough where we know 41 States are going to be participating in SSIG. We'll have probably over $500-some million which will be almost as much as the entire basic grant budget next year. I really feel that we cannot say that we can preserve every institution.

B. I wanted to go back to a prior question that F was talking about, doing away with the SEOG program, and I was trying to listen to hear if I was hearing her say that the public institutions will serve the students as opposed to keeping a variety of programs so that a student could go into, say, private high cost institutions. Was that a kind of an underlying assumption of what you were saying? You mentioned about doing away with the SEOG program, and I was trying to figure in terms of putting together a financial aid package. Wouldn't this in a sense limit the range of sources that a student would have, say a low income kid who wants to go to Harvard and needs about $5,000, if there is a kind of total dependence upon say Government——

F. There was an aspect of that that I didn't get to. The SSIG, as a matter of fact, would replace the SEOG with some kind of grandfathering along the way and the State could award it in a variety of ways to middle income people on the basis of financial need. In another too much ignored area, the private institutions have done a tremendous job garnering funds from the private sector and also from their own alumni. And I think that the public institutions, particularly the 4-year colleges and universities have really let themselves out of the ball game by not working more actively to generate funds from the private sector: institutional moneys are needed to supplement Federal and State and dollars. I know at the university while I was in financial aid, there was virtually no effort by the development office or the alumni office to generate funds from the private sector for institutional scholarships. And I think that we ought not let 4-year colleges and universities think they have some *a priori* reason to exist that doesn't carry a responsibility to garner support, financial support, for institutional programs. Back to the "State plan" notion, what really falls by the wayside in this kind of plan is: institutional flexibility, quicker reaction time, and packaging for individual needs. And that is where the institution's own funds, funds generated from the private sector, endowments or whatever, could be used to meet special individual needs.

In the case of a low-income student who wants to attend a high cost institution out of State, the State from which he comes could provide the State moneys and the Federal moneys, the match and so forth, up to a certain point. And then that student would either have to take out a Government insured loan, or that institution, that Harvard or other high cost institution if they wanted that student badly enough, would have to provide the additional money to make up the cost gap.

Mr. Dellenback. Before we get too far away from G, I'd like to ask a followup question. With what you said about not preserving all institutions, are you suggesting, G, that we not do anything with institutional aid from the Federal level? And if you are saying no, we should do something because there really is a bit of a need, simplistically, what is it you are suggesting we do?

G. Saying that I believe more can be served by student aid programs in terms of the crisis that's coming in enrollments. I see dropping and not increasing enrollments. I anticipate many adults and part-time students and better utilization of physical plants and more evening and weekend study. I do not believe that at this moment in time I could support direct institutional aid. I believe the students will begin to recognize where they should be and why. I'd much rather see that dynamic operate and let student aid permit them to make choices that seem best suited for what they want to accomplish.

Mr. Dellenback. How do you answer the argument that is made by the institutions to us, that since on the average that which the student brings does not pay the cost of the student being there, and this is certainly true of Stanford, many State institutions or small private institutions. Therefore, the more we do to stimulate students getting in, even though we help them with their full tuitions we are just increasing the problem of the institution. What is the burden then that falls on our shoulders to help the institution with some sort of a grant-in-aid for every student we get there?

G. Well I assume that the private philanthropy will continue. And I assume the State's role in providing operational costs and certain capital costs will continue for them. I am really speaking in terms of role.

Mr. Dellenback. And then you would look to those funds to take it in full. You'd look to private philanthropy for the private colleges, and you'd look to State funds for the public supported college to take care of all the institutional side if we were continuing help on the student aid side? I am not arguing it. I'm asking.

G. Well, I think I lean more to that model. I know the self-preservation that they have in mind for their own future, and they look more on their past history than what they can do in the future. I think you can be in a dangerous world to assure them, regardless of how few students show up, you will have this much money to use as direct aid.

Mr. Dellenback. I am not arguing that side of it. I am asking whether there is anything in between the edges of the continuum and whether you are really coming down as I read you as coming down on the side of saying no, so far as institutions are concerned, the Federal Government should not be involved. The Federal Government should confine its efforts to student aid and leave to outside sources State moneys, private philanthropy, industrial-support whatever place you go, but not the Federal Government?

G. I think I lean in that direction. Yes, I definitely lean in that direction.

Mr. O'HARA. I'd like to give an answer to that. Even if the Federal Government helps *x* thousand people attend institutions who otherwise would not have been able to, no institution that doesn't want those students has to be taken. If they feel that those students are too much of a burden, then they don't have to take them. But on the other hand, I can see institutional aid tied to those kinds of things that I said maybe were more important than financial assistance in bringing in low-income kinds or bringing in kids who don't have a tradition of scholarship in the family, bringing in kids who are not motivated toward higher education. In other words, if an institution wants to set up, and some institutions have as you well know and maybe you're associated with them, special programs, but special programs C or E might object to doing it, but special programs of open admission, special programs of remedial education. If they really wanted to——

E. I would object to it on certain terms.

California has had an interesting experiment in this. California has tried the two approaches you are talking about. The State gave out money to the State colleges and the university campuses on a formula basis to deal with the equivalent, what was called the EOP program. And it was a scandalous disaster. Forty percent of the money went into administration, all sorts of scandals occurred, everything all blah, yuk. You know, one of those things that if the legislature could somehow find a way out, they were gradually whittling it down and it's going to disappear. They also set up a program for the community colleges and the private institutions called a COG program where they give the money to the student. And it has been a very, very good program. So in that sense—and they funded it heavily. I mean they gave an extra burden because this is an extra one. So they gave the student considerably more than the standard State scholarship program. I think there is another way you can get institutional aid that doesn't bare the stigma of the point G was making: once you get into that one of the difficulties is where are the borderlines? You begin to get into the problem that you must then carry every institution.

How are you to decide once you start giving out institutional aid that you like 72 percent of the institutions, but there are 28 percent that you are going to cut off? You don't have that capacity. I've never seen the Federal Government make that kind of a decision. So pretty soon you have got 100 percent, and then it turns out that it is 110 percent, and every institution must be maintained. I think there is another avenue, and that is the competitive grant approach. In essence, we have two successful models that the Federal Government has operated, as far as we can see, very effectively in the research grant area where it is able to cut off grants when an institution—when high-energy physics was oversupported, the need for it dropped off, so did high-energy physics research grants. The other place it has worked, I think, is in the foundation model. And I think that's a successful thing. I think those ought to be extended, but I guess I am very skeptical that a direct aid program that goes on some sort of formula basis won't eventually lead to the need to support every institution and then gradually turn to sort of bureaucratization. You want different delivery systems. How do you get a different delivery system? How many States are going to do what Minnesota is talking about doing which is create a Minnesota Metro to really serve one set of clients while they're shutting down another institution over here out in the boondocks. The answer is damn few.

A. I'd like to respond to E's comment. With the EOP program in California, the State colleges and the universities, you're right that there were a lot of problems there. I think one of the problems is that they only addressed minority students, and there are a lot of students who are white who need help. And I think that if these programs, support programs are made available not by the color of the skin but simply because a student needs them it will really go hand in hand with the financial aid. We are always saying to the California community colleges that, you have the open door which is a revolving door. Financial aid helps to slow that down, but I think another key component is supporting services. You mentioned also the college opportunity grant program—the reason why I am tremendously opposed to any kind of State control of Federal student aid. It was supposed to be a program designed primarily for community college students, tested and accepted by nontraditional means. But because of the pressure of other 4-year institutions competing for the money, that program has become completely watered down so that now more than 50 percent of the money is going to noncommunity college students and only 51 percent of the students are community college students. The COG program started out with more than 80 percent community college students receiving it, and it has been watered down. I really feel that with State control this will happen. No. 1 because in community colleges reside so many of the nontraditional students. They're going to be caught by not applying on time. They are going to be caught because they have to apply to a bureaucracy, and I maintain that the farther away you get the disbursement of the funds, and the counseling and the supportive services, the father away it is from the student, the less chance you have of helping the student who truly needs it. The able student is always going to make it, he's the one who applies on time, he knows how to take tests, but that is, I think, a real problem.

C. Might I change the subject. I hate to do that. Before it is too late, I do want to get your reaction to the idea of separating out, what came in by way of the poverty programs of the 1960's in student aid, and to raise the issue of separating the tuition from the subsistence part of student aid. Apparently right now as of 1972 $4 billion of HEW funds went into postsecondary education and $1.1 billion of Federal funds went to subsistence and personal expenses, which means that 25 percent of the education dollar is going into subsistence. With the 18-year-old student becoming independent and the BOG program increasing, more of that money is going to go into subsistance. What I am interested in is the education dollar being watered down by subsistence cost. Could not an education cost-of-living program be introduced under a welfare or social security label, directed at subsistence? The BEOG and SEOG programs then would be tied to tuition alone. Other aid programs—CWS, NDSL—would possibly supplement subsistence and tuition respectively. What are your reactions to separating tuition from subsistence, assuming OE budget tightening, and increased need in amounts of awards and in numbers of students?

Mr. O'Hara. In other words, grants for instructional cost—in effect you are saying no grant for living expenses, under education. Now maybe they can get a grant for living expenses out of the SSI program or social security or veterans or whatever. And then provide work study opportunities and other kinds of things for the living expenses.

Mr. Quie. It's always been a bad practice to borrow money to pay for groceries, but it is a better practice to borrow money to invest in your future.

A. Without a flexible grant program, there is no way that we could help the student who has not had a tradition of scholarship etc. So many of the nontraditional students are married. We would have to saddle them with astronomical loans and work, if it is a mother with children, it costs her almost as much to pay a babysitter as is does to work. So . . .

C. Why would loans enter into it at this point?

A. If you said no grants——

C. No. I said grants.

A. For tuition, right?

C. Grants for subsistence and for tuition, but separate. This would permit the education budget and appropriation to relate strictly to education, and a new subsistence budget and appropriation to cost-of-living. That work-study more oriented then it is now if you read Natalie Friedman's study, two-thirds of those on work-study and other Federal programs are using that money for subsistence; in other words use that (along with the SSIG possibly) largely for subsistence. I would suggest a new Federal program of grants just for the purpose of subsistence. As you graduate up the scale then those who need loans, the higher income people can cap it off with that.

E. An important point when you think about that, I think it is important to realize that the mix of students is changing. And I think we haven't thought about that enough in the nature of student aid. Students have been for some time moving toward low income, the mean student has, simply because we have been drawing in more low income. But there's another mix going on now, that is, they are getting older because more students, the opportunities to come back to college and not having to go directly out of high school are improving so the students are getting older. More of them are recurrent coming back later in life, and more are coming back on multiple times. And we want more of that, and there are more institutions gearing up for that. And that raises a whole new series of questions, such as how many times should someone be able to get student aid in his life because the person who tends to come back in this country, just as is true in the open university model in England, is someone who has already had some education. Suppose they come at age 18, and they come at age 28, and they come at age 42; how do you deal with that? I think those are all terribly underdiscussed issues. I think the nature of the student body has shifted.

A. One of the big problems with the basic grant program is that it prevents anyone who has attended school prior to April 1 of 1973 from getting a grant which pretty much disenfranchises freshmen not entering from high school. And then also if they're independent, even if we had full funding, unless that was changed for independent students, you really wouldn't be helping a large portion of the undergraduates.

Mr. Dellenback. Some of the limitations that have been put on or intended as temporary because there isn't enough money as in the case of the initial BEOG's are going to be relaxed.

A. I really feel though that given the choice between smaller average grants and then utilizing the funds and disenfranchising in effect independent student, I think we ought to go with the first and have smaller average grants. Because in effect you are really ruling out a high percentage of the nontraditional student which is really increasing in this country.

Mr. Dellenback. Do you mean this type of limitation is a poor idea?

A. I do. For next year the average basic grant will be higher. I really feel that it would have been much more equitable to keep that range down and to give a provision to independent students to file a petition indicating that they no longer are employed so that last year's income is invalid. Because right now they're just completely screened out. And yet as I pointed out our first basic grant recipient was a dependent student who was earning $2,000 a year and living at home. Had he been independent and living away from home, he would have been ineligible yet he got the full basic grant entitlement. Now that's hard to live with. And 60 percent of our students are independent, and that is pretty much across the board for State colleges, too.

C. But he also has free tuition, too, doesn't he?

A. Yes, but living costs are the biggest problem.

C. That is why I proposed the separation of cost-of-living awards from tuition grants. As it is now, students at low tuition institutions will dry up education funds for all of us on living subsidies.

E. Can I raise just one question? I think there was a very important point made here earlier: I think Jim made it, that ought not to get passed by. That was the question of the implications, as I heard it, was that we're arriving at the point where there is more than enough supply of college graduates, and you have to begin to think about cutting back, maybe that exaggerates your point, but that point I think was implicit. I think there is a very fundamental (issue) at stake that has been relatively undiscussed in this country. As far as I can see, there is an oversupply of college graduates in the traditional terms. And there is no question in my mind that we've got more Ph. D's, more teachers, teaching graduates, and so on in almost every field than we can employ in traditional things. I think it would be a gross mistake if we translated that into cutting back; I think that we move toward a very different kind of society, and a society in which the opportunity to get a college education is increasingly important for all sorts of reasons including social status, and we become more egalitarian. But I think we've got to become reconciled with the fact that there is going to be downward social mobility for people with college degrees. And that we ought not to try and tie getting a college degree with the concept that you are going to get guaranteed a damn good job. I think it cannot happen; it was a mistake to do it in the first place, and I think it is just a basic part of American society. And I think that issue ought to get out and get debated.

Mr. DELLENBACK. That has an impact on your loan concept that you touched on earlier. I will accept that, but you are moving way away from that loan idea because the loan is no longer a sound move.

E: It just cannot be, John, when you look at the number of people that are going to college today, there is a great old saying, if everybody is going to be somebody, there won't be anybody left to be nobody. And you just cannot have everybody in the upper middle class because that happened to be a relative term. A considerable percentage of the people that end up going to college are going to be downwardly social mobile because they don't have the motivation, the drive, the ability to get a job, to get promoted, and so on, or to get elected.

B. Could I say this. I always like to go back to this whole notion of the economy, and start talking about the full employment economy. I think it is at this point that this whole notion of what kind of preparation one has becomes very important. As I say from time to time, the question of unemployment is no longer a question, there's going to be unemployment. The question is who is going to be unemployed. The big factor is that the jockeying for the position short of unemployment is going to be, I think, between those persons who are better prepared. So the less preparation one might have of some kind will mean that the greater will be the possibility that the persons will not be in that employed group. Now you may be under employed, but employed, but at least you won't be unemployed. I think that's what we may be working ourselves into as a country with regards to education.

Mr. O'HARA. We are going to have to close off the discussion now. Maybe one thing we ought to do is try the stick along with the carrot. And for each graduate of an institution of higher education that doesn't get a job in the field which they studied, then we will fine the institution. And all of a sudden we see the institution doing a better job of preparing people for the work. I thank all of you for coming today, and it has been a very interesting discussion. I've enjoyed it very much and I'm sure the other members have. We hope you've enjoyed it too. And maybe we've left you with additional food for thought as we have certainly been.

STUDENT FINANCIAL ASSISTANCE

(Seminars)

JULY 10, 1974

Mr. O'HARA. Today we are beginning the third in a series of informal meetings between members of the Special Subcommittee on Education, and people who have been asked to meet and discuss with us their own ideas with respect to the shape of title IV of Higher Education Act, and the general shape student financial assistance should take in the years just ahead. This is not a hearing of the subcommittee, but you have noticed we are taking a record of what is said and we may, if the subcommittee approves, arrange for a printed transcript of these proceedings. If we do that, as I have already assured each of you, your names will not appear in the transcript, it will be so printed to make it impossible to attribute to you anything that was said. I can also assure that none of the members or staff present will quote anything you say or will otherwise violate the confidentiality of these proceedings. I hope and anticipate that each of the other participants in this session will abide by the same ground rules. We've found that the best way to proceed is to ask one or two of the participants to begin by suggesting their ideas and then letting the conversation take its course. I've asked A if he can lead off this morning. If you could start off and tell us what we ought to do, straighten us out will you?

A. I've addressed the question here of what the Federal Government ought to do if it is interested in developing any sort of a nationwide policy which would move in the direction of or at least lend support to the principle of low tuition or relatively low tuition, at least for the first 2 years of college and possibly for all 4 years of undergraduate education. I suggested a couple of points, and these may be familiar to you from many previous hearings. Let me just touch on them very quickly. First it can be argued, I think very plausibly, that the Federal Government has contributed in many ways to the rising costs of education in both public and private institutions, and therefore pressures to raise tuition. I think this has happened partly through the inability of the Federal Government to control inflation or increases in energy costs or from other great national or international trends which affect every social institution, of course, not simply education.

There has also been legislation which most of us would feel socially desirable; minimum wages, unemployment compensation, affirmative action, the Occupational Safety and Health Act, etc., which has the effect indirectly or directly of raising the cost of higher education, as of again many other institutions in American life. Further, the programs that are directly related to aiding higher education in the

Office of Education, notably the student aid programs and also programs like TRIO, have the additional effect of increasing the cost of education because, of course, student aid covers only a small proportion of the student's cost of instruction especially at public institutions, but also at private ones. Each federally aided student who attends an institution who would not otherwise go is adding substantially to the deficit of the institution, again more at the public institutions than at the private. The Federal Government, in other words, is adding to college costs through policies, both those directly concerned with education and those less directly concerned. It is doing little I think, through existing programs which are being funded, to help hold tuition down. The only way, it seems to me, tuition can be held down or perhaps the rate of tuition increase slowed would appear to be through some kind of institutional aid or cost of education allowance. I would further suggest that if such a program were set up it should not penalize those States and those colleges which already provide low tuition or zero tuition higher education.

It has been pointed out that a system which simply pays tuition for students, like the World War II GI bill with all of its tremendous advantages, does not provide institutional support to those colleges which already provide low tuition. The taxpayer, as in States like California or any State which has low tuition institutions, in effect are paying twice. They're paying once to preserve their own system of low tuition and again they're paying taxes which go to pay the tuition for students attending higher tuition institutions either in that State or in other States.

A California taxpayer in fact or a New York City taxpayer or a taxpayer in any system supporting low tuition is penalized by a system which simply pays tuition or a fraction of tuition. That would apply to some extent to the student aid programs as well as to the World War II GI bill. If the Federal Government wants to hold down tuition, there would be a number of possible approaches. As you may know the University of Wisconsin system as a whole is seriously considering the notion that if they were to receive cost of education funding, they might apply all of it—it might amount to several million dollars in Wisconsin depending on the level of funding—to lowering tuition at the first 2 years at all public institutions in the State, both the State university, State college institutions and the land-grant institutions. They feel they could make a substantial dent in lowering tuition even at a relatively low level of funding of the cost of education program.

There has been a meeting of the chancellors of the Wisconsin system to discuss this; no decision has been made, but there is a lot of interest. In any case the idea is actively under consideration. Cost-of-ed money could be applied on a voluntary basis to lowering tuition or the formula could be rewritten so that part or all of the cost of education funding could be applied in this direction. These are alternatives; there are dangers and problems in any formula which mandated the use of cost of education money to lower tuition, I think, both in the public and private sector, but I think there are possibilities.

I've touched briefly on an idea here which I felt was too good not to mention by Aims McGuinness of the University of Maine, who I know has served as a consultant to this committee. He has suggested a kind of package approach in which a student would receive a certain combination of his tuition or a certain payment, and the institution would receive a certain payment. The institution's payment would be larger if tuition were lower, where lower, but the total payment would be the same in either case. So neither a high tuition nor low tuition institution would be penalized. This kind of thing I think is quite possible on paper. Theoretically there are no problems. I think the idea is so good that Mr. McGuinness probably ought to have a chance to present it himself to the subcommittee, and again it is similar to ideas that many of us have been talking about in and around the associations for a number of years.

If the Federal Government wants to move in this direction, if they feel that the tuition question is important enough or some of the other questions relating to the cost of education, then something ought to be done about it. I think the Congress could design legislation to achieve this purpose. Ben Lawrence suggested a similar idea when he appeared before this committee on June 28, when he said that one way of holding down tuition would be to make payments to State governments on the basis of their use of that money to lower tuition or to try to hold tuition at some kind of level. An incentive system again might be worked out. I think I'd like to pass over my point 3 right now because I simply would prefer not to take too much time. It has to do with the question which was raised by the chairman of this subcommittee most recently on June 28, and I think earlier, that is the question of whether cost of education is necessary if colleges have falling enrollments or at least steady State enrollments. I've attempted to address myself here to this somewhat specialized question, also to suggest some witnesses or experts who might throw some light on this question. I believe that there is a case for cost of education even if enrollments are declining, and I think such a case can be made but I'd rather pass over it now, Mr. Chairman, with the understanding that you might like to come back to it later. I've talked in generalities here about cost of education. I've attempted to relate it to the tuition issue.

If and when the subcommittee gets down to the problem of technical rewriting of the language of section 419, if the subcommittee does not choose to go so far as to try to create a totally new or different program or a dramatically different program, I think the formula in section 419 could still be greatly simplified. The formula is quite a nightmare. It was apparently an example of 3 a.m. or 4 a.m. legislation. But in any case, I have a feeling, that a simpler formula could be worked out. If there is to be cost-of-ed, it could seem to be a percentage of the volume of student aid paid to each institution or some formula of that kind which would make it much easier to administer the program to determine how much money might be available at different levels of funding. There are other changes that might be worthwhile too. But I would suggest, and I am sure the subcommittee has in mind, that if section 419 is to be looked at at all, the formula should be reviewed very carefully. Mr. Chairman, I think I'll close on that point.

Mr. O'Hara. Thank you very much. Now let me ask if there are any others who would like to give us a sketch on which we could proceed and get a discussion going.

B. Well maybe you can judge when it would be most appropriate to bring these matters up. But what I had in mind was to provide some information which seemed to be descriptive of the terrain on which a new title IV would be constructed. In terms of background information and realities that one ought to keep in mind in talking about the details of the specific programs.

Mr. O'Hara. Why don't you do that now?

B. These are perceptions of some of the realities that need to be taken into consideration. What I want to do is start with some facts, look at the policy implications of each of those facts, and then particular program responses to those policy implications.

First, there is extraordinary diversity among the States in their higher education needs and in their responses to those needs. This diversity that we have to take into consideration ranges, for instance, from zero private enrollment in one State to 60-percent private enrollment in another. It ranges from a decline in the number of high school graduates (over a short period of 4 years ending in 1972) of, say, close to 15 percent in some States to an increase of 30 percent in other States. There is great diversity in the numbers of college students who come in or go out to other States to school. It follows from this extreme diversity that we should switch in our perceptions about how to develop higher education policy from a national approach to a Federal approach. This approach would involve exploration of the revenue-sharing concept, not fully explored yet in higher education.

The second fact to keep in mind when we are looking particularly at financing of higher education in terms of the impact of different strategies on public and private institutions, is the extreme geographic concentration of private enrollment. Enrollment is highly concentrated because population is concentrated, but private enrollment is concentrated to an even greater extent than the general population. Two States account for one quarter of all private enrollment. The two States are Massachusetts and New York.

The third fact that I think we should keep in mind is the extraordinary impact of inflation on financing of higher education both from the student standpoint and from the institutional standpoint. I think we have been generally aware of inflation, but we haven't worked through the specific implications. I will trot out a fact that I have been trying to share as widely as possible. We believed that the increases in student aid, in recent years when we introduced the new programs, infused large amounts of additional aid into the educational financing system. But it turns out that when you consider both the impact of inflation and the expanded eligibility so it covers more groups of students, the aid was thinned out and then eroded so that there was a net decline in the purchasing power of those student aid dollars per student award from 1970 to 1972–73. It was going down. The first year of BOG's awards, then, did not add on to a base of student aid, it merely restored the aggregate purchasing power that students had in 1970. We have not really dealt explicitly with inflation and considered what it is doing to the way students finance their education.

Grants to students have not been increased adequately to compensate for the rising costs of going to school, and there is a shift of the cost burden to students; loans have been made to take up the difference. So the inadequate grants have forced students to take more loans. Further, because of lagged funding—we've got 1- to 2-year cycles in appropriations—we've also had serious effects of inflation on the nonprofit educational institutions which are unable to respond as quickly as the profitmaking sector to rising costs. This has caused a great disruption in their financing.

The fourth fact is that the Federal share of revenues of institutions of higher education has not increased; it has declined. To a large extent this has been taken up by significant increases in state support. This is partly explained by very substantial investment over the last several years by a number of states in the establishment of a 2-year sector. But overall, the federal share of institutional revenues has not increased. Consider also the share of national budget support for higher education as compared with vocational education, manpower training, and elementary and secondary education. The budget share levels off for higher education—which fact is buried when you look only at figures for postsecondary education. We have to keep track of what is happening in higher education when we embrace postsecondary education. When we expand our concerns, we still have to keep track of what is going on within the component sectors of postsecondary education.

The fifth item is not so much a fact as a way of looking at things. And that's simply the observation that we have semantically labeled assistance in higher education according to its channel. And then we have derived certain policy prescriptions out of those labels. I would like to belabor the point of the importance of coming up with a better understanding of what is actually happening, and getting behind these labels. For instance, do we know how much student aid goes to purchase educational services? We don't have the wildest idea because it is all mixed up with amounts of aid for living expenses. Student aid is used both to purchase educational services and to offset income inequalities resulting from inequities in other parts of the system. It's very hard to fund or evaluate the effectiveness of a program where we don't know what the money is being spent for. The policy implication is that in designating eligibility for student assistance programs that we should be much more precise about what we intend the money to be used for and then keep track of it. We ought to be able to answer the question, "How much student assistance goes to pay for education services?"

The sixth observation follows heavily on what A has said. We need to pay attention to the way the student aid programs operate and the extent to which they may be producing unwanted side effects when we look at a larger financing picture.

Something that we are labeling as "a student aid subsidy gap" has occurred where we have been totally inadequate in meeting with dollars our verbalized commitment to equal education opportunity. Where we have this gap, the resources have had to be made up elsewhere—by students going into larger or long-term debt, by low-income families contributing more than might be expected on a reasonable basis, and by institutions contributing something in the neighborhood of $2 billion of general funds to student aid. Those $2 billion are being taken away from their ability to provide education services and contributing heavily to the financial distress that they currently face.

The seventh observation with respect to financing is that different sources of revenue for institutions provide more or less continuity in funding. Basically, I would argue that funding ought to follow program objectives, and some program objectives are not sustained over time. Therefore, we don't want to get locked into a particular funding pattern. So we can say, for instance, that we have achieved our national goals in creating certain kinds of scientific manpower, and we ought to pull back. But we still have to deal with the fact that other sources of financing for higher education must provide a certain con-the students and the families themselves provide continuous sources of funds. The sources of discontinuity in funding and inability to predict the financial future are the Federal Government and the foundations. That's a reality that we have to deal with. If there is going to be discontinuity, as there probably should be, then we have to build in the capacity of the institutions and the students to respond flexibly to this discontinuity.

The eighth point is the impact of student aid on pricing education. Others have gone into considerable detail to demonstrate that the current entitlement to aid which is pegged a tuition price, leads inexorably to pressures to raise the tuition in order to increase the entitlement. It is the only way that States, for instance, can get a higher proportion of the Federal BOG's support. We have to look at the basis of the BOG's entitlement and see if there are ways we can conceive of an entitlement that won't have adverse effects, or effects that we don't intend, on the pricing of education. It may be that one considers costs rather than tuition—then we get into more details on, say, a program budgeting rational for cost of education. It seems to me we've got the hook on the entitlement flipped also. We hook it to tuition, but it ought to be the needs not covered by tuition. But anyway what I'm basically arguing is that we should be much more precise on the objectives of the student aid programs much more precise on program budgeting approaches to student aid—and get the labels clear.

One last observation. Many people in higher education, particularly some of its closest friends and those who've worked in the field, have what I would freely call a doomsday approach seeing us in a fantastic squeeze with things getting worse before they get better. One of the observations used to underpin this forecast is the demographic projection that the college-age population is going to peak out about 1980 and then it is going to go down, down, down, and we are going to be in deep trouble. Whether we will be in deep trouble or not depends on how we characterize the future and how we prepare for it. Because you can take the flip side of that population projection: to the extent that the college age population declines, you have an increasing proportion of the population which is in the labor force which is earning money and which is paying taxes to support the relatively lighter burden that higher education will impose upon national resources. We have in prospect the possibility of coming much closer to meeting our objectives because there will be relatively fewer people to educate and relatively more people to pay for it. So we might look, for instance, at how close are we to fully capitalizing loan funds in terms of what's needed; maybe we are close.

We might be closer to our objective than we think, if only we can push a little harder toward realizing it rather than making it an impossible thing that we'll never achieve. So I want to look at the flip side of the demographic realities. I want to observe that in the decade from 1960 to 1970 we increased the share of the college-age population by one-third relative to the total population. That's a fantastic increase. We've already gone through the worst of it: the share went from a little under 9 percent to 12 percent. It goes to about 12.8 percent in the next 5 years and then it declines.

So then, relatively, we may have more resources to do what we set out to do. And so rather than accept doom and gloom, maybe we can flip this and look at how efficiently we can use more readily accessible resources. Which then brings me to the point of considering what we do, where we push.

So it seems to me title IV might be pushed in the direction of articulating a right to education which we've not set forth. Even BOG's is very far from providing a right to education.

The new title IV might have these kinds of elements underlying the thinking in developing particular programs: One, a right to postsecondary education not abridged by inadequate resources; two, that we pay much better attention to what the funds appropriated under the rubric of educational assistance actually buys. Is it education or is it subsistence? Three, that we channel assistance in ways which do not produce unwanted effects on the pricing of education for students who are not assisted. Four, greater precision in identifying, distinguishing, and carrying out programmatically the educational and social objectives to be achieved. Five, greater equity among different groups of students, those assisted and those self-supporting, those full time and those part time, those middle income, those low income, those white, those black.

Mr. O'Hara. Thank you very much. I noticed that there were several common threads in what you have to say and what A had to say. I'd like to focus on just one of those things and get some discussion going. Both of you in effect commented on the proposition that if student assistance varies according to tuition levels that creates some problems. You saw this creating problems of upward push on tuitions, and I think A did too. And A suggested that maybe what we ought to do is provide for cost of education assistance of some kind, and make it a sum that if an institution had less than say $1,600 worth of tuition cost they'd get the rest of the $1,600 in a cost of education subsidy. So that would of course push it back down. We had another participant at our first panel who was likewise concerned with segregating those subsistence and education costs, just as both of you are working at that problem from a somewhat different aspect. And our witness at the first panel has sort of an operation that was a little bit different than Aims McGuiness' idea. Aims McGuiness says, "we'll make the aid available for instructional cost and then we can pay some of it in tuition and the rest of it in cost of education payments." Our participant in the first panel said, "Why don't we peg the BOGs or the grant aid to subsistence?" Subsistence costs don't vary a great deal, it costs just as much to feed and cloth yourself at Stanford as it does at San Jose State. Six of one and half a dozen of the other just about. That isn't a variable. On the other hand the tuition levels are the big variable. Maybe then with respect to them we ought to have loan and job assistance.

In other words, we say fine, you get your BOG, if you are entitled to a BOG in some amount which will go toward your living expenses while you are attending an institution of higher education. And if you attend a zero tuition institution that's great, you've got all you need. You got your BOG and you are all set. On the other hand, if you are attending an institution that charges a relatively modest tuition something under $1,000, you might get a job, a work study job or some other kind of job. If you are attending an institution that charges $2,000 or $3,000 you'll need both a job and a loan in order to pay the tuition.

Now I thought that was quite a challenging concept, a way of looking at it that would put pressure on to keep tuition levels down rather than pressure to move them upward because you would in effect have a different kind of assistance, a harder kind of assistance for tuitions. And I'd like to get some reactions to that.

C. I would agree. Our problems are that we have conflicting self interests involved in this as you well know. The people from institutions are thinking about institutional survival, institutional welfare rather than the welfare of the students. If you turn it around and think about it from only the viewpoint of the student, one finds then that the proposal, the kind that you are suggesting here is exactly what would work. This I think would have to be an entitlement type of program. And here's where I part a little bit of company and I may be one of the doom sayers that B alluded to earlier. But our problem is that we are not dealing with even a majority of the high school graduates when we are talking about any of these programs. And we are not dealing with anything more than about one-third of the age group when we are talking about the programs that we have in title IV. And when you've talked about having a lot more taxpayers in the future to aid a smaller number of people, that's right, you certainly will have. But that smaller number of people remain a kind of elite. We are doing practically nothing for the other half or two-thirds of the young people in the 18 to 21 or 24-year-old category. One could develop the subsistence kind of approach and have it apply to other young people or even older toward adulthood, I know what that means but nevertheless, I think it is probably necessary to think about it in those terms, then I think one gives a better chance for equal opportunity as far as the people across the board are concerned.

The difficulty now seems to me is that we have pretty good evidence that these aid programs have not really aided low income students in terms of providing a great increase in the college-going rate of low income people and low income families. There is evidence to that effect. Hence, the results of the existing programs must be to aid students who are not really the lowest income and who would go to school or college of some kind or other whether you gave aid or not. Indeed, Larry Leslie's study of the State aid programs indicates that 50 percent of all students aided would be in the same school if they got no aid at all. But the aid programs are there to aid institutions not students. And that's why the money goes in those directions. If we have a philosophy of aiding students, we are misspending our funds, misdirecting them. I think the proposal you are making on subsistence is one that would correct that or tend to correct it. But I think we have to think in broader concepts.

Mr. O'Hara. Let me approach that a little bit, and I don't want to monopolize it. By the way that is not my suggestion. It is one of our previous seminar participants that we promised not to attribute anything to. We have got several objectives here and we haven't properly sorted them out, like for instance the low participation rate of low income youngsters, that's one thing we ought to be concerned about. Then we ought to be concerned about the ability of kids to go on, and the ability of middle aged people and others to acquire the education they need even though they may not be of the very lowest income, if they have a financial problem. And so I think we have to sort these out in terms of the approaches we take. For instance, the lowest income kids. I think we do want to increase the number who are participating. But actually you would do that a lot more I think with encouraging open admission policies and with other kinds of approaches that might have more of an impact.

C. If you had that subsistence program.

Mr. O'Hara. Yes; if you had the subsistence program, but you see it makes a great difference when you are talking about the percentage of people of college age who are attending institutions of higher education, and then when you talk about the percentage of high school graduates of college age who are participating in higher education. At that point all of a sudden the differences aren't so great. They're rounded off a whole lot. And so a great deal of your problem is in addition to the financial problem. And I think one of the reasons that our programs haven't resulted in as much of an increase in the lowest income group is maybe we haven't had these other kinds of things involved, we've looked at it as purely an economic problem, which it isn't.

C. Sandy Aslin's data on the freshmen enrollments indicate that only 16 percent of the freshmen foresee any substantial financial problem in going through school. Now that seems very indicative of the kind of people who are already in school not indicative of the ones who aren't. It is the ones who aren't to whom these programs ought to be directed.

B. Can I speak to a methodological issue on the interpretation?

C. Oh, I wouldn't do that here.

B. We often ask students what their situation would be or what their choices would be if certain things happened. Methodologically one has to be knowledgeable about the students' choice set and what the student's circumstances are—none of which is cross-classified in that particular presentation of the data. We don't know if they have no financial problems because they have adequate funds or because they have lowered their expectations, for instance. One has to be extremely careful in drawing programmatic and policy implications from that particular set of data.

Mr. O'Hara. For that matter 70 percent of the dropouts claim that they dropped out for financial reasons because that's a social acceptable reason for dropping out.

It's not because you weren't interested or because you were unable to compete.

D. I wanted to make a couple of comments, that would be appropriate in the light of the things that have been said up to this point. I think that the general picture of low-income groups in terms of supporting children in college needs to be laid out so that it is clear first of all what it is you are talking about. My experience has been primarily with blacks and what they're up against, I think, would be representative of any other broader low income groups. But for example one of the things that is often overlooked is that about 52 to 53 percent of the blacks in America still live in the South, and there is about a $2,000 difference in the income, about $5,400 median income in 1972 for half of the black population. And then the $7,600 figures hover in the other three regions so that when one gets the median for everybody, one is hiding the real picture for blacks. For example still about 35, 36 percent of the high school students in the South are still in rural high school situations which is a statistic that nobody relates at all in terms of still further pressures and the kind of income patterns. But if you just take the $5,400 figure and using the regular need analyses of College Scholarship Service for a family of two at $6,000 they're expected to contribute about $25, and with three children it goes down to zero.

Now you are talking about a median-income group, you are not talking about dropping off down in the lower quarter, you're hitting right at 50 percentile. And if you take the other three regions where you are dealing with a $7,600 median income for blacks, at $8,000 if you have two children you can expect to contribute about $400 to $450 which means that the 2-year community colleges if you are in a major urban area then probably represents your major alternative unless there is also a 4-year institution that you can commute to but there are other problems. But if you have three children it drops down to less than $250 the kind of expected contribution.

So that what this means is that in the South you have maybe as many as 60 to 70 percent, and those are admittedly estimates, of your freshmen would be expected to contribute very little from family revenues. Now I know as a matter of fact though we haven't been able to document it but at least in the black colleges the families do contribute to their children's education, and as far as I have gotten is that there is some mysterious money because when you look at average amount of student aid that say a predominantly black college has that averages out to somewhere between $300 and $400 a student, there is a range.

Then you look at the family income and you look at what the student is able to earn and you come up sometimes with as much as $1,000 that you just can't figure out where a family that has a median income of $4,000 is getting the other money. When I say a median of $4,000 that's about what you get in some of the public black institutions in the South. And I use them again because about 70 percent of the Southern blacks are in those institutions though nationally the majority of them now are in other kinds of institutions.

But you have people eking out some method of keeping these young people in college. And we looked at graduating seniors we asked the same questions of graduating seniors and the median income moved up to about $5,000 to $5,100 for graduating seniors so that it means that you are not getting an economic attrition. Somehow they're hanging in there and finishing school.

Another interesting thing is that in these colleges it seems that they get a higher proportion of their students from rural areas than is true in the general population which means a lot of their schools, public colleges are still isolated places. In a funny sort of a way it was surprising to me they seem to attract a lot of very small town students because they are out in the boondocks.

So we were puzzling for a long time as to why the median income was up about $5,400, but the median income of freshmen was down around $4,000 or $4,200 and we still haven't been able to explain that except that about half of the freshmen come from small towns and rural areas in the colleges as opposed to a much smaller percentage now in the general population about two-thirds are in urban areas in the South among blacks.

So we don't know why that is, but we suspect it is because of that difference. So that when you come down to blacks in low-income groups the kind of financial aid programs make the difference in whether the person goes or not as opposed to a lot of the discussions and some of which have undergird some of the comments I've been hearing, that is there is a matter of choices and a matter of what kind of cost institution and so on.

But even a zero-cost institution that takes a black kid in the South away from home where he has to have, as you say, subsistence then the access to any financial aid program will be an absolute barrier. And the financial aid officers will tell you that if you admit these kinds of students without promise of financial aid they just tend not to show up.

So that if there is no aid, then you are talking about an absolute barrier. And that the business of choices within that is a second issue which some people have talked about that is whether these students in terms of the aid programs will be able to go to only the lowest cost education that is available which is another kind of question.

But I think in terms of first things first, some education for groups which have not been getting into the system, at least in my opinion, is better than no education. If it is zero education versus a 2-year community college then I have to gamble on that and gamble that the person is going to be able to move on up to the baccalaureate level, but those are very big gambles in that the different kinds of institutions represents some real different problems.

I also would raise at least a caution about the whole question of institutional aid versus say aid that goes directly to students. In some instances you have almost an absolute overlay between some kinds of institutions and some kinds of students. Now this is the case in terms of predominantly black colleges. You have a second generation of institutions like that developing in your cities, particularly 2-year community colleges.

That is you have now predominantly black institutions behind the patterns of the demography of the cities developing in places like Chicago, New York, Los Angeles, and Philadelphia, and even some of the larger cities in the South.

So that that kind of institution very much needs institutional aid not because it is a survival issue even if it is a public institution, because the institution acts as a stimulus to pull in certain students who would not come at all. So that the institution is a magnet for access for certain kinds of groups when you get that kind of overlay.

So that is not a general question, and I think for other kinds of institutions the general comments may be true. But I think the thrust of that in policy would be that there ought to always be some insitutionally based programs left for those kinds of institutions at least to use, because they actually in many instances have to serve a kind of stimulus function.

Also in terms of your loan programs specifically for people as poor as some of the students that go to college, in some of these areas they are just not going to do very well in loan programs and the banking industry, that they can do much better dealing with an institution that has some loan money than they are when they've got to go and deal with the bankers. So as we talk though, I would comment about what seems to be some general outlines, because I think that you do need some programs which sound like what you were suggesting, where at one level you can have a larger amount of grant money which targets itself particularly in at the first year, which is a critical year for low-income students. And then after they have gotten past that, there probabilities of survival change significantly. Then greater amounts of college work study and loans then become I think more practical because they're likely to then go on and get out, have higher income, be able to pay back the loan. And also to sustain the work and stay in school because the lack of equal opportunity at the high school level still affects the probabilities of success for all blacks in college. So if they have a heavy work program, you're adding on to a poor high school education, a heavy need to work, then the actual possibility of their staying the route is diminished, so they'll have the loan indebtedness to pay back then maybe just a year of college or something so they won't be able to survive.

Mr. Dellenback. Do I read you correctly as saying then that with the particular group that you are speaking to, if we were targeting for that group, that we could actually take programs and vary them from year to year? That is, that we would say that in the first year there should be no loans whatsoever in effect, heavy grants, and maybe some college work study? Having gotten past that year you might move on a shifting basis in the second or third years to reduce grants and increase work study funds, and then loan moneys would be really necessary only in the fourth year or maybe in the third and fourth year?

D. Well that would make a great deal of sense if you have to have the loan programs as a basic area. I would see it staged in that way because I think the willingness of a person to take the loan at the end of the third year in college from a low-income group is much greater particularly if they see that they're trying to put together the package for the final year. And they can see how they can pay back $500, $600, $700, or $800 that would be in a certain ballpark. So I think that people would be willing to go into that kind of debt at that level.

Mr. Dellenback. In the first year would it matter particularly whether it was grant or work study? Pure grant without work corelated to it or exchange of work for money.

D. I would say more grant instead of work study knowing that you'd probably not going to get an ideal program. I would say try to have the funds available so that you can have the maximum amount of grant funds. And if there is work study it is within a manageable range for the student to handle, and then you escalate it as you go up. And in the long run, you might not find yourself using that much more grant money, but I think it is critical in terms of equal educational opportunity where you use it with blacks, for example. Where you can give them a chance to do their schoolwork in that first year and to do some of that catching up that they need, and that bears on the cost of education idea, too, to try to find it attractive if one can identify, say, instructional costs. And if one has significant numbers of students like this, sometimes there are other kinds of cost of instruction which the institution needs, to help make up for the fact that they are half a standard deviation below the normal income of freshmen in several college entrance exams.

Mr. **Dellenback.** May I ask one further question before the others. B, You have spoken in terms of support and your instinctive reaction is one of enthusiastic support for this other idea that Jim mentioned. Do you have anything else you'd say about that? I would raise a flag that there may be very real political difficulties with that kind of a concept to sell to our colleagues, you see. The concept of trying to make it really alive in a time of other competing demands is highly problematic, but even pushing that aside for the moment, would you have anything else you'd say about it?

B. It is kind of interesting to hear the idea articulated because I was getting to a similar location through perhaps a somewhat different route with two observations.

It seems to me that the current basis of entitlement under BOG's is not sustainable in the long run, that it is flawed as it exists. It is possible that when this is widely perceived, that it won't be politically sustainable. Part of the basis for the entitlement for BOG's is the tuition cost; and if you look across the States, the high tuition States may be charging up to four times the amounts to attend, say, a public university, as the low tuition States. Now, is it sustainable on a long-term basis that the Federal funds will be allocated across States in such an unequal way? There is a basic inequity in the way the current entitlement operates. It is flawed in that way so one tries to reform that.

There is another thing that one doesn't want to do, or at least not inadvertently. Some have argued that Federal support of higher education should be used to rationalize the pricing structure of higher education, that Federal incentives be used for States to do something which would be, in this case, to rationalize the pricing structure. Well, one can say that the BOG's should be used to do that. But then you may want to ask a question whether rationalization means raising the prices so that all the tuitions are the same and high or rationalizing it so all tuitions are the same and low. And the way the current BOG entitlement works, there's no way to rationalize it except to raise tuition.

So, it seems to me that the program is flawed unless it is the Federal purpose to induce the States to raise tuition. Looking at that and worrying about it for the last year, it seemed to me that something had to be done with the BOG's entitlement as it stands to make it more equitable and to remove this pressure. The direction to go is to split it so that we know what's educational assistance and what's subsistence.

I think focusing the BOG's entitlement on the subsistence makes a great deal of sense in remedying the existing flaws in the entitlement.

Now as to whether it is politically saleable as a subsistence package, that's a different debate. But one might observe, for instance, that it's in there already but it's not labeled that way. We are now using it for subsistence, but we are not calling it that. Now it may be that we should not call in that in order to make it politically palatable. But social security and the veterans entitlements are claims to subsistence as well as to education. So we've well established the principle. We've got 30 years of payments for subsistence. When we added this new payment for subsistence, we've not been very specific about how much of that is spent for subsistence. It is there already, we just haven't accurately labeled it.

C. I agree with you, A, entirely on your analysis. I think that is very well done. There are additional difficulties, I think, with moving toward the subsistence idea. If one looks at the existing program again, you find that the political pressures behind these programs, I think, were primarily, not exclusively, but primarily from persons interested in a survival of institutions and not primarily for the aid to students. I still insist that that's true. And that is the way the pressure has been brought to Congress, and that is the real reason for the programs in the first place. And indeed seemingly they work that way, that is they are aiding institutions instead of students in large part. Now if you move toward a subsistence program you correct some of the basis at least, you lay a common base across the States in terms of support for their particular populations in college, but when one does that you move toward the World War II GI subsistence idea. And as soon as you do that, you not only have the problem of how do you finance all those people, because it means everyone then, of an age group or something similar to that, using whatever criteria you want to use. That has not been palatable at least in the last 5 or 10 years. And second, you'll have the people who have supported the existing programs for reasons of aid to institutions, opposing it also because it doesn't do anything to aid the institutions. And so you have a kind of a double-barrel opposition that will creep into this thing. That doesn't mean it isn't a good idea.

Mr. O'Hara. I have a very strong feeling that one of the ways we went awry most seriously was when we started devising student assistance programs to try to help certain kinds of institutions. We in effect got into that fight, and when we just got it all messed up because we can't really do that. I take somewhat the same attitude toward the warring institutions that I keep toward the AAU and the NCAA, which was that I don't want to get in the middle of their fight and referee. I'd just as soon let them fight it out, as long as they don't use students and athletes as the weapons. That's what they were doing. And that is in effect what the institutions are doing in this tug of war about how the student assistance programs are going to work. And I think if we could come up with a system that separates it the way B suggests, and the way A suggests, and the way our earlier participants suggested. And in effect say, "Look, we are going to help you with your subsistence, and we are going to help all equally in that regard. And then with respect to where you go to school and where the tuition is high or low, we are willing to help you there, but by a different kind of assistance. You make the choice and we'll help."

B. I think that's extremely perceptive. We've gotten into so many unnecessary bags by trying to solve one problem with something that wasn't directly related to that problem, and we keep doing it over and over again—as with the notion that institutional aid should be channeled according to student financial assistance, which is intended to achieve entirely different things. Educational costs include costs covered by tuition and additional costs to the institution not covered by tuition.

And students' expenses include both educational costs and living costs. It makes no sense to try to channel support for the institutional costs not covered by tuition on the basis of the students' tuition plus living costs. To channel funds to achieve objectives here on some basis of percentages over there is utter chaos. But if educational and social program objectives can be separated out and made much more specific as to what we want to achieve and if the channels for delivering the support are related to the objectives, they can be examined and changed if they don't want work, and ended when the objectives are reasonably well achieved.

Mr. O'Hara. Not every State has the same system, of course. Your State, E., and California, for example, are very, very different in the way they spend their higher education dollar and the proportions of their students that go on to higher education, and then the proportions that go to public institutions and nonpublic institutions. One of the ideas that we kicked around a little bit was sort of a higher ed revenue sharing. Maybe with some of this money we ought to go to the States and maybe one State would choose to use it one way to help more people and institutions of higher education there, and maybe another would want to use it another. That's one of the ideas that's been kicked around. I don't know if you want to react to that or to what's been said here so far.

E. I would hope that if that would be the case that unlike some of the other formulas which are based upon the number of students attending postsecondary education educational institutions within a given State, the funds would be based upon the percentage of secondary school graduates within a given State who go on for postsecondary education.

Mr. O'Hara. Do you give any help to a student to attend the out-of-State school as compared to an in-State school? I know you have two different student tuition grant programs, I guess.

E. Actually there are three basic ones programs. We are concerned with the individual student who graduates from a secondary school. And if that student selects an out-of-State school that is an accredited, recognized school, then yes, we will support him. Now it so happens that our State law restricts the number that can receive awards for out-of-State study to 35 percent of the total number of awards made. However, our experience has been, going back to the early 1960's, that we have never come close to that 35 percent mark. The tendency is for those who get awards to stay within the State. We've hit maybe the high 20's or 30 percent of the total.

Mr. Dellenback. Is the basis of aid the same—the amounts within State and without State?

E. Exactly. The basis of aid is financial need with the exception of the scholarship program where there is a minor academic requirement—when I say minor, students who graduate around the middle of the class may be eligible for awards. But the primary emphasis is on financial need. This program of general awards can be used for any eligible institution within or without the State. We have also a program of awards given to those students who attend the nonpublic institutions within the State. This is done by using a dollar criteria, rather than raising the question of public versus private, by saying that students at any school which has a tuition greater than a certain amount (that of the State colleges) can get this kind of award; that's known as a tuition aid grant program. There is no academic requirement. This helps our students at the higher cost private institutions.

The third program is one which is aimed solely at the educationally and economically disadvantaged student. This aids the very lowest income groups, primarily minority groups. Again, something like 10 percent of these awards might go to students attending out-of-State institutions, the program is not restricted solely to in-State. But this is a rather unique program, because, while the awards are made to individual students, the college or the educational institution must submit a proposal which outlines the kind of program they intend to have for this kind of student recognizing the facts we have heard here already, that these students may need special services.

The initial problem faced with many of these students is how do you get them on campus to continue their education? So there is a recruitment element. Then when you get them on campus, how do you retain them? Overriding the entire program is the question, how do you provide a satisfactory, successful learning experience for them? So there is a counseling element which might cover such things as need for remedial work, testing for interest and ability, health, money management, careers, and so forth. The institution is actually funded for the program, including awards to students, based upon approval given for the program developed by the institution. Recruitment of the students and the awards to those students are made by the institution following general guidelines developed by the State. This is a program which, as you can see, can tie in very nicely with the Trio programs under title IV. Thus, people working with this program on a college campus can dovetail it with say Upward Bound or similar programs. Of course one of the problems is the whole matter of funding the program and I think this has been true with many of the programs we've tried in the past—we've had a good idea and some good programs and we fund them to get them off the ground but they stall for one reason or another. So eventually, primarily for lack of adequate funding, they are dropped by the wayside.

I believe that under title IV there are provisions for educational opportunity centers which is basically a good idea because again there is a need to be met. Let me cite an example in one of our urban areas where they have in effect set up a center through private funding. A center, in a primarily disadvantaged area, has been established to provide counseling and services for high school students with the idea of getting them to continue their education. From this base they are in the process of establishing additional outreach centers—in fact, I think two have already been established—so they will have a total of four subsidiaries. This operation will cover one urban area very well, for the outreach centers will funnel the students, after preliminary screening, back to the base center for testing and counseling in an effort to try and match the prospective student with college or other postseconadry educational opportunities. Now here is an example of where Federal funds are being used, and could be used in greater amounts, to supplement what the State is already doing in a beneficial and productive manner. I think there are more examples of this kind of opportunity to expand on a successful program with Federal funds, if only such funds were available.

When talking about low-income students, the question was raised whether they should be given loans immediately in the first year, or should they be delayed until the third and fourth years. And I think that is probably a good approach providing sufficient grant money is available during the beginning years of postsecondary education. We have had a loan program developed primarily by educators and not people from the financial community, so perhaps we have gone a bit astray and overlooked some important considerations during our deliberations. We find all sorts of ideas being suggested—let's attach a forgiveness clause, let's provide for cancellation. I think we ought to be very careful about any such suggestions. A loan is a loan; a loan is an obligation to be repaid and you do not want to develop an attitude on the part of the individual that he is entitled to forgiveness or cancellation. Such an attitude could easily be carried over to other loans; "I'm repaying before it's due, why don't you cancel the interest?" or "why don't you cancel part of the loan for one reason or another?" In effect, such provisions might tend to create a problem in the financial community at some future time. Presently it is understood that a loan must be repaid and I think, therefore, we should keep a loan separate from a grant and not even think about attaching some of the characteristics of a grant to it.

One of the most serious questions in this whole loan business is the matter of the level of lending. I've heard some rather astronomical figures tossed around as to how much a student should borrow. It really makes one shudder. I read an article just the other night in Kiplinger's Changing Times. It said, the national 4-year averages from the Survey Research Center of the University at Ann Arbor show that middle-income people carried the highest debt as the percentage of their income after Federal taxes, around 12 percent. And if you look at those with $8,500 to $10,000 incomes, their 12.3 percent ratio of debt to income is the highest. This is excluding mortgages.

Do a little calculation. If you are going to let these kids borrow $10,000, $15,000, $25,000 as proposed, what's this going to mean upon graduation?

Articles, such as the one referred to, are written by your financial experts, your money management people, and they are concerned. They say, this is about what they can handle. Now maybe they can push a little further, but I think when you begin to look at some of the real high figures that I've heard tossed around, we ought to be cautious. As a matter of fact, I would like to suggest that one thing that might be done—perhaps it already has, and I'm just not aware of it—we have talked with economists, but have we really gotten ahold of the right people, the fiscal theorists, the money management people? Can we sustain and enlarge the loan program? How large can it be, how long can it be sustained? We looked at this question in my State, by examining the financial institutions in the State that were eligible to make loans and projecting the deposits that they expected in the future, and there was serious question whether they would be able to meet the demand for student loans in just the one program, the guaranteed student loan program. This is only one example of the kind of question we should be looking at nationally.

It is kind of scary, I think at times. We set a limit of $2,500 and the student thinks oh boy, $2,500 a year. So he borrows the first 3 years, and then in his senior year he can't borrow because there is a $7,500 undergraduate maximum. Now he is upset, and I'm sure you gentlemen have had letters from some people like that. He takes it out on the lender first, and the lender is upset, then maybe he takes it out on potential borrowers. Maybe there is nothing wrong in lending $2,500 a year, and perhaps some additional moneys for graduate school. But I don't know what the limit should be when you borrow. And I'll not comment on a lot of the technicalities. We've gone over a lot of these before where perhaps we can strengthen the loan program. I think basically what we have in the loan program is good and I think it's here to stay. But you've got to get out from behind the desk and work at it; you've got to make it work. And if I may say so, we've had too many educators—and I'm an educator—working over in the financial area. You know, when you come out with a new program like this you've got to get out and sell; you've got to be a salesman. This means rapping on doors of institutions and it means finding the person you've got to talk to. It may not be the person designated to handle the loan program, and it may not even be the president, it might be someone on the board of directors. But you must find the key to initiate and develop the program.

I think we've had a lot of people—in all due respect to them and they've been good people—who really perhaps were a little bit short of the know-how in making these things work and making them operate.

Now I would like to comment at this time and thank you gentlemen and your colleagues for the recent amendments to the loan program, they seem to be working and that's really fortunate. Some people in the colleges are saying that right now in title IV are some really good basic programs. The colleges report that the job is being done much more quickly and at much less cost than a year ago, so it seems to be working. I also commend you on meetings of this sort. We are trying to get at some basic philosophy, some basic ideas. Where do we go, where do we go from here? I don't know. I think we have a lot of good in title IV right now, some really good basic programs. And before we throw the baby out with the water, I think maybe we had better slowly phase one in and phase the other out until we are more certain of the direction we are going and the soundness of the program. I think one of the best things that has been done is the decision made to phase BOG in a year at a time. I think there is good in that program although at the present time it seems to be rather tentative for many of the low-income students.

One might raise the question as to how much financial aid background the developers of the family financial contribution schedule had when developing formulas that they used. These are minor things, but important, and they can be taken care of and corrected as we see the good that is being done by the program. A program like BOG coming into a State like ours where we already have a special program reserved for the lowest income students is wonderful because it becomes the cornerstone which will free some additional dollars from our State moneys to make more awards or to make greater awards for the neediest of students that are going to school. I think this was the intent of your program: to provide a basic aid award upon which the separate States could build, supplemented by the educational institution. The student would then provide any needed difference with work or a loan.

B. I have two observations which underscore your comments on the loan programs. One is simply that if we are going to finance higher education to a substantially greater extent through loans, then we've got to look at the tax structure to examine the treatment of investment in human capital as compared with the treatment of investment in physical capital. There are great differences in the way those investments are treated. If we are going to increase substantially our reliance on loans, then we've got to pay some attention to those inequities in the tax structure. For instance, the cost of making the investment are deductible on the physical capital side, but they are not on the human capital side. The tax structure is replete with such differences: You get depreciation in the physical side but no such equivalent on the human side. I think one would have to explore in rather great detail the equities between investment in physical and investment in human capital if that's the route we are going to go.

If we finance postsecondary education with student loans, we should also take into consideration the impact of these debts of noneducational sectors. Take housing, for instance. What would the burden of student debt be on low income people wanting to buy housing. Look at the situation coming up where, say, a young woman with $10,000 debt marries a young man with $10,000 debt and they have an overhang of $20,000 of debt when they go down to see the mortgage credit officer to buy their first home in their late 20's. That mortgage credit officer has got an idea of the relationship between their effective income and the amount of housing they can purchase.

We have a national policy to encourage home ownership, and we've supported that policy by providing for deductions from the Federal income tax for mortgage interest payments and local real estate taxes. Now we have programs of student loans to finance education but apparently no one has paid any attention to its possible impact on the national policy of encouraging home ownership. It's another example where we have got to step back and take a larger look at what's going on.

Mr. O'HARA. F hasn't gotten in.

F. I've been listening to this discussion, and I get the same tightening feeling that I get every time I listen to it. I begin to get a headache so I can appreciate what you must go through all the time. I was really interested in the suggestion that you threw out a while ago about separating the subsistance and the tuition cost. And given the situation where we are not that's not a bad suggestion. I guess I think the problem is a little broader than that as several people have suggested. Because I think what we are really up against now is the general question of how you finance postsecondary education. I think that's really what we are after. And the above approach, of course, does something for us given the point that we are at right now.

However, institutions and institutional tuition cost vary and somebody is going to pay for the variance, either the State or somebody else. So really we are not dealing, I think, with the whole problem as I see it when we deal with this approach. I think the whole problem is now how do we finance postsecondary education. And I think student assistance has backed into this problem. When I first started out we had the NDEA loan program, the first general student assistance program. Then we were talking about goals of trying to implement certain manpower objectives with that program. We went from there with the 1964 amendments to some social kinds of goals in terms of equal access. And I think we are at another stage right now, and that is the financing stage, and student aid is right in the middle of that. I think the basic problem here is the same one that I have when I try to construct my personal budget, usually unsuccessfully, and that is I don't think we really sat down and define well thought out goals and objectives. And I think this is what B was saying to some extent a while ago.

I just don't think we've done that; I don't think we've taken a look at: (1) Who should be educated. (2) What is the cost of education. (3) What's available to meet those costs. And then if there is a difference what's the role of the family in meeting those costs? What's the role of the State? And what's the Federal role?

I just don't think we've ever done that. I think in the last year or two, I think primarily with the impetus that Congress has been giving this whole area, we are beginning to get at that. I don't think you are going to get it done this year, but I think we are making real progress. In the last year or two, this is the first time we've ever gotten groups together to even look at these kinds of things, and I think that's good. I think that's where it is at.

Once you get it at those kinds of goals and objectives, then you begin to take a look at what are the various alternatives to funding, and A has suggested institutional aid. We've also talked about aid to students as a part of that package. There are various alternative approaches to the whole financing scheme. Any one that you choose will have opportunity costs, and those have to be carefully thought out.

I guarantee you if you give aid to institutions to fund the cost of education, you're going to have one result. If you're going to give aid to students to finance education, you are going to have quite another kind of educational scene. But I just think that whole thing has to be thought out and agreed upon and articulated. One of the big problems we have with this, and again I am sure B knows this far better than I, is that information is very hard to come by.

You see we haven't done a very good job of defining what it is we need to answer the questions, and in fact haven't done really a very good job in defining the questions. So I think you have to get at those objectives, define the questions, get the data, and then make some basic hard decisions. And I am not at all convinced as a matter of fact, we all come from vested interests. And I am not at all convinced that the most productive, the most efficient, the most effective way of channeling aid is through the kinds of need analysis procedures that we have now. I think there may be better ways.

It is just like, however, the comment I made about the prior suggestion. I think, given where were are at historically it's probably the best mechanism that we currently have available. But I think if we deal in needs assessment or, let's face it, if we deal in allocating funds, we are going to have to look at mechanisms. And if we allocate funds to students when they are in short supply, that certainly is one of the areas that we need to take a hard look at.

Mr. HARRISON. Some months ago some of us had an early session on needs analysis. Something you just said rang a bell in my mind because you said we don't really have any received wisdom on the role of the family in financing education. But isn't there a pretty basic assumption about the role of the family at the heart of needs analysis?

F. There is indeed.

Mr. HARRISON. So we've got one. You are questioning its validity, but we've got a theory of the role of the family.

F. We do indeed. You put your finger on it just now. I did cover myself because when I ended up my comments I did say given where we are at now. I think what we have are effective mechanisms. The assumption is—you are quite right—the assumption is that the family should contribute to the educational cost, that is the assumption. That assumption could be thrown out the window, it could be.

Mr. HARRISON. Well this is a question which in an untutored way some of us were asking a year ago, is this assumption about the family's responsibility, is this merely an assumption or does this go any deeper? And I am glad to hear you say that in essence that it is just an assumption.

F. It clearly is, and again I talked about alternative ways of allocating funds. That's just one and it grew up in a situation where funds were in short supply and in fact programs prescribed that there would be family contribution, but that could be totally junked. In fact, that wouldn't even be a question if indeed we had an indefinite amount of dollars to put aside at the Federal level for financing higher education and all those dollars went to institutions.

Mr. HARRISON. One of the things I think that's so valuable in this seminar is separating out from among our basic premises those things which are factual and those things which are purely arbitrary.

F. And assumptions do grow to be factual after you use them for a number of years that's quite correct.

Mr. HARRISON. That's the danger.

D. I was going to say that one of the things that just in terms of say a general conception of financial aid and all the different goals is that say the goal of equal opportunity or low-income students as opposed to say, as someone would say the general goal of financing post-secondary education or the general goal of seeing education as something good as home ownership is something good, and thereby anyone who does that then is entitled to certain kinds of benefits as in the tax structure for a home owner in terms of deducting the interest and so on.

That you are dealing with different things, and it appears that increasingly, or at least I think I hear some of that here today, it's going to be necessary to really try to separate out the different goals and to have programs which are designed to deal with equalizing educational opportunity, I mean that's what's there to do, and those moneys would not be in competition with the other kind of general benefit theory of aid to people who decide that higher education or postsecondary education is good as long as there is a side who believes that more education is better for the population, that they get another series of benefits which would be separate.

Then another kind of cut might be, say the relatively affluent families who want as people do who are in other kinds of affluent categories, they want some options as to how they use their resources to deal with this particular thing they want to buy. And in each instance, you see you are dealing with some different approaches to how you deal with it, but with everything on the same scale which is essentially what we have and have been seemingly trying to do now with the same programs trying to deal with your lowest income groups and then at another level stretching some of the same regulations and legislation to reach other groups who are in distress at the $8,000 to $15,000 to $20,000 range, and who have some more resources.

Whereas in fact the service population that is now in higher education and wants relief, is still higher with the median somewhere now if the truth be known as approaching somewhere what $12,000 median and is probably moving to $15,000 median which is still more affluent than the general population that is in a lot of the districts of the Congressmen. It is just a general curve, so that everybody then is along the scale and no one is shut off in compartments as the example we heard seems to imply this pool of money is to serve this purpose. This other pool of money is to serve this purpose, this other pool is to serve this. Now you are still going to have this political battle, but at least it's not as dangerous again from another special interest because it frightens me. I know who is going to win.

If the minorities get into a battle with that $8,000 to $15,000 to $20,000 population group, I know who is going to win. I lose sleep over it, but I just hope that something happens to protect minority groups and low incomes from having to compete within an open system of aid with those other groups. And I think the theory of this needs to look more and more at whether compartments—I guess that is the sharpest word—need to be built which serve different goals in terms of financing of education in different ways from different groups.

C. I think that you are correct in assuming that if one sharpens the goals then the controversies become very pointed toward particular goals, and competition does arise, and somebody wins and somebody loses. In the political process that goes on in arriving at these programs, I think that the Congressmen have been pretty well aware of these different objectives.

And the result has been programs that are very ambiguous as to exactly what they intend to achieve. The people who would be losers would know it if the objectives were very sharp. Now there is no question in my mind that the 1972 amendments have already done what you fear may happen in the future. That is they have largely cut out the lowest income student from attending school.

D. Not yet, but——

C. [continuing]. Well, they are on their way, and it is underway right now. If BOG had really taken over and the other programs dropped, we'd be farther along that path than we have been up to now. The point I wanted to make, however, is that I don't want the experience we have heard about to clog your thinking into believing that other States are doing the same kind of complementary work, they are not.

There are very few States, maybe three, that have programs similar to this are really complementary in terms of what the Federal Government is doing as opposed to States. Most of the States that have State aid programs are doing duplicate work, identical, indeed they use the same determinations, family support et cetera, same formulas and they aid the same students. And the offsetting contributions programs such as your basic grant program for the lowest income student is one that would correct the deficiencies in the BOG program for example, but most of the States don't have that.

And they have no intention under the State incentive program of doing that. Now it seems to me that in the State incentive program there ought to be some kind of suggestion, if not criteria, that would be met by a State that would provide for aid in some of the different areas not provided for in the Federal programs.

Mr. DELLENBACK. It is tough enough to get funds for the State incentive grant program without trying to do that. Then to change just a little bit what you said about the 1972 amendments. When you made your comment that it has done this kind of thing, is that because of positive action of the amendments and what they've created in the way of programs or is it the type of thing that B was referring to earlier talking about the dilution of when you talk about the broadening of basis and when you talked about your inflationary impact.

You look at the gross dollars and there are many more gross dollars in the thing. By the time you'd see who can qualify for programs, and by the time you see how they're spread, the net impact is a different impact. And when you talk about the impact of the 1972 amendments, which of those things are you talking about?

C. Well, I mean the same thing as B means that the moneys are spread over a much larger population or potential population.

Mr. DELLENBACK. But you are not saying that there is something built into those amendments which cut out the minorities.

C. Yes. Well, I think there is in the BOG program when you only provide for half the need. As soon as you provide for half a need, who provides the other half? When the single greatest obstacle for the low-income student, potential student, to go to any institution whatever, is his foregone income. And that's not counted at all in your BOG program. None of these formulas provide for loss of income. And yet it is a loss of income. This is why I think the subsistence thing is such an attractive alternative.

Mr. DELLENBACK. So far as the BOG formula is concerned, if we really wanted to reach the minorities the most significant thing we could do without going to something like foregone income, which I think is a long way down the path, would be to modify or eliminate the half need. Is this what you are saying?

C. Modify it or else have some supplemental program that would really aid the lowest income student. Now you have some aid in there for that purpose.

Mr. Andringa. What you are saying is that SEOG prior to that which was restricted to half, worked.

C. No; I didn't say it worked. I said that it works less well now under the 1972 amendments than it did before. And that is because the other three programs—work study and the grant program and GSL had all had previously been more limited in the number of or the proportion of the population. With a broadening of the proportion of the population and the maintenance of only half the need, the low-income people are the ones who are cut out.

Mr. O'Hara. Even if you had full funding, they could still only get half of the need.

D. Well, that is what I meant by compartmentalize. And I am aware of what you are saying; your point was well taken about the fact that a certain amount of ambiguity still leaves you an opportunity to work your will. There are other philosophical questions about equal educational opportunity which you could run smack into when you start to target or try to target or try to compartmentalize and then you run the risk of political sense of losing that particular part of your program. But I think that it probably operates best in the way that was discussed, where you could develop an approach to it that would demonstrate what this particular socially acceptable approach to social change actually can do, because I think that it is very dramatic when you look at, for example in the black colleges, where a kid the first year out of college is sometimes making more money than both his mother and father put together. At the end of his first year he has an income which exceeds the total family income, but that's the way I think you have to begin to undergird the compartmentalized approach, because you do run into very strong difficulties in equal educational opportunity and in targeting which are very real.

E. You see in a program like this, you have got to be careful, for instance, when a student like this then does have his degree—now I've got it, boy I am entitled to the money. Let's suppose he majored in English literature, as I know a couple that do now, and they are quite frustrated, quite upset, but they've gotten this far. Now this has come about probably—they had counseling and all which they just didn't pay any attention to. But this is why it is so important you see that you have some kind of a program element built in where you counsel with these people and you work with them.

Mr. Dellenback. This problem is probably going to be compounded by the 18-year-old majority with all its impact, and the questions will spin off from there of the relaxation of the needs test at all and where it goes. Because we were troubled about this, and a number of us really are. We see that as a further difficult question.

B. Could we visit just a little bit more on C's statement that the current programs cut out the low-income people. I think there's one perception of that to the extent that lots of low-income people don't get aid. Lots of low-income people, maybe two-thirds or 85 percent, don't go on to school, and a lot of those who do go to school don't go with aid. They have to go entirely on their own. But I don't think what you said should be interpreted to mean that all those who do get aid aren't low income.

C. —— I suppose has presented evidence to indicate that a good deal of the funds, meaning a majority of all the Federal dollars, go to people with incomes of over $10,000, which is coming mighty close to median income.

Mr. O'Hara. In any event, one of the other features of this system that bothers me a little bit is as we know in our needs analysis we find differences between the expected family contribution and the actual family contribution. The way it works is that at the lowest income levels the actual on the average exceeds the expected. And as you get on into the higher income levels of eligibles the expected family contribution exceeds the actual family contribution. Let's take the case where the expected family contribution is zero and assume full funding, the person might get more from Uncle Sam than the youngster from the family that is just above the threshold where the expected family contribution is just adequate to cover the costs. In other words, Uncle Sam might end up being a more generous parent than the parent of that youngster whose family is just above the income level where he'd be eligible for assistance.

F. I think obviously you want me to respond to that. I am going to say two things, one of which may get me into difficulty if the tapes ever do get out.

Mr. Dellenback. We don't know where the Supreme Court would stand.

F. One thing is, and it's a minor point I think, that there may be a difference between willingness to pay at various income levels versus ability. But the major point I think about the whole business of needs analysis—and I just think all kinds of people would disagree with this, be emotional about it in some ways—I think in a way we have tended to view needs analysis as too scientific, too mystical, what have you. I think what needs analysis is, and in fact what it should be, is a tool for allocating available funds, available resources. And I think that has gotten lost somewhere in the process, I really do. And when I say that again I am getting back to something I said a while ago you have program objectives you have *x* amount of funds that you can devote to that program now where do you want them to go? Then you have a tool I think for allocating those resources.

Mr. O'Hara. And then we have another question that's part of allocation. If we are talking about changing the mix of students in postsecondary education, we use one set of programs and policies to do that. And if we are concerned about raising the mix on low income or raising the mix on minority then you go at it another way. If we think that the Federal policy ought to be directed toward increasing the number of citizens who obtain education beyond the high school because that's going to increase our productivity and our quality of life in the United States and we are not really concerned really about the mix so much as we are total numbers, then of course we adopt far different strategies. Another one of the causes of confusion is that we mixed up those objectives thoroughly.

F. And if a goal is in a given program to direct those moneys to the low-income students the tool can do that, but we get that confused with this other thing then we say the family contribution—I'd like them anyway just to even get away from that kind of perception.

Mr. **Dellenback.** I don't think subjectively that this confusion you referred to is an advertent confusion. I don't think that Congress in its wisdom in bygone years ever sat down and said, "now look the only way we can get the moneys into this particular pocket is by keeping it confused. And so therefore we are going to keep it fuzzed up, and then it will end up going disproportionally where we'd really like it to go." I think that's ascribing greater wisdom to the Congress than it has.

Mr. **O'Hara.** Not greater deviousness, just greater wisdom.

Mr. **Dellenback.** But I do join in the real risk that you talk about, and I see this personally at a time when the situation and the struggle for dollars is getting more and more difficult than it was 20 years ago or 10 years or what you will, and where the touchstone of postsecondary or higher education is not there, you can't just suddenly wave the wand of higher education and the moneys will pour forth. You are going to have to struggle comparatively, and within the fields you have to struggle to see where the dollars go, too. I am worried about the very thing you are worried about, C, really that we're going to find more and more the great cry of the "middle class should get its share," that that middle class is no longer $10,000 it's $12,000 and $15,000 and $20,000. And with a limited number of dollars, those dollars are just not going to be there to aid in the point that I think you very astutely touched on, Jim, as to the difference of which we are doing. That the emphasis is shifting or bids fair to shift or runs the risk of shifting from—we should be helping to increase the mix, to improve the mix so that it is itself a force that will improve the situation in the future, and the emphasis runs the risk, in my opinion, of shifting to the second thing, to say we want the totality to go, and since we can't have both which way are we going to go?

Mr. **O'Hara.** Well, I want to take one little exception to that and that is that I think in terms of democratic theory it's to our advantage to try to separate out the policy goals and make them clear so that the Congress understands what it is it's voting on. Now I don't always follow that theory, I preach it more than I practice it. But just as a general notion, I think maybe it is a good idea to make them understand and to spell out our objectives and identify our programs as being aimed here or there.

Mr. **Dellenback.** And at least this, Jim, at least in the subcommittees that create the programs, we ought to see it as clearly as we can see it, and then try to make it clear because I do think we owe our colleagues the explication of what it is that we're doing.

Mr. **O'Hara.** Unless we want to play God. The public has got to be brought in on this some place. They've got to have an input. They can't have one unless we make it clear just what it is we are trying.

C. Let's go back to the question of clarity of objectives. Having committed myself to the rational life, I think that is a very great idea. Politically, I think that we do end up with real problems. Dave Riesman, in his "Academic Revolution" had a statement that whenever the middle class decides that funds are being directed toward people who will, because of upward mobility, replace them those funds will stop. In other words, there can't be over the long haul a program that will allow upward mobility, if the middle class has its say. By middle class, of course, he means upper middle class, that is over medium family income. And that seemingly what's happening with our policy. By the extension of these programs to a greater proportion of the population, that is to the $15,000 to $20,000 brackets. They need the aid too, but at the same time that that shift is being made the focus is taken away from the lowest income people. The dollars per student, the dollars and even I suppose the number of students that can be aided I think that he was very insightful in looking at the general political scene in the United States. It is no different in the States either.

Mr. O'HARA. Maybe I will exercise the chairman's prerogative and then close the meeting with an observation. it is now a couple of minutes to twelve, and I have a meeting with the Hansen Committee to try to decide whether the Education and Labor Committee should continue. But you know our whole approach is that a just government rests on the consent of the government, a great Democrat said that. And in any event we've often sort of interpolated in there we've put in the informed consent of the government. Maybe that's a good reason for directing some policies toward bringing more middle class kids into higher education. Thanks very much for participating.

STUDENT FINANCIAL ASSISTANCE

(Seminars)

JULY 11, 1974

Mr. O'HARA. Today for the fourth time we are convening an informal, unofficial meeting, and I hate to even use the word meeting, a gathering, of members of the Special Subcommittee on Education to discuss, with experts from the postsecondary education community, their visions of a perfected and ideal title IV. I shall take a moment to outline once again the ground rules for these sessions. They are not formal meetings of the subcommittee. We are making a record of what is said, and we might, indeed, print a record. But I can assure all those participating that if the record is printed, their names will be deleted as will any matter that may identify them or their associations or their institutions. You may then feel free to speak your own minds with the assurance that the members and the staff present will not quote you in any way without your permission. And I hope everyone else will observe the same basic ground rules as to the confidentiality of what is said in these seminars.

As in the past sessions, I have taken the liberty of asking one of our participants to lead off the discussion. And we will then begin today with some proposals by A.

I would appreciate your stimulating our thought process.

A. Thank you, Congressman. I want to try to open this with a slightly different perspective on student financial assistance than one might expect. Previous hearings have focused on improvement of existing legislation. They have examined many of the problems that I already personally have recognized, and I will not repeat some of that information. What I would like us to do is focus our attention for a moment on what happens when you give student financial assistance, and on some of the reasons why we ought to consider different plans and different mechanisms for accomplishing the kinds of things that we expect student financial assistance to accomplish. Given particularly these times when financial pressures are very great, in institutions of higher education in particular, it is my conviction that institutions and State governments are going to have incentives to try to tap any additional resources that the Federal Government puts into the pockets of students. You give additional money, either more effectively or just more of it, to students, and an institution or State knows that those students are receiving money. It is my conviction then that institutions and States are going to try to figure out how they can use that resource to save themselves from spending money, and how they can get some of that resource in order to improve the quality of their programs.

In the brief papers that I have outlined here, I have tried to explain some of that rationale. But if a public institution has already established a tuition level, and if it decides to take in more students because the students are willing to go since they have more money, the tuition being only a fraction of the cost, the institution has got to get the money to pay for the rest of that student's education somewhere. If the State doesn't give it to the institution, it's going to have to increase the tuition to get it or get it from some other source. These kinds of incentives, I think, can be shown logically to at least suggest that States and institutions will consider, if not continue, the trend to increase tuitions. Well, this led some of us back as early as 1970 to try to look at other forms of financial aid to postsecondary education that would have in mind the same purpose of trying to make it possible for students to attend college at a reasonable cost. And through an evolutionary process, I have come to the conclusion that one point of view that ought to be considered is, in addition to student financial assistance given to assist those who are very needy, that there needs to be some kind of a general aid program to postsecondary education that would provide incentive to the States to continue to support postsecondary education and would make it possible for States to finance postsecondary education through students or through institutions, or through private institutions, or through public institutions, any way the States chose to do it, rather than the Federal Government telling them what to do. And it would provide a means whereby the objectives that the Federal Government had in mind were accomplished and we could get some measure of that.

The result of tentative thinking about this has led to a publication that is very, very big and very, very technical, and also to the preparation of this brief paper that I circulated. We have described a formula that we think effectively takes into account most of the considerations that are involved in this particular approach. The basic formula says "let's provide to States moneys in return for the attendance of students in their institutions in accordance with the effort of the State and its capability to support post-secondary education." And starting first with enrollment, given the fact that student access appears to be a very important motivation of the Federal Government, we said, "let's give $100 to the State for every student enrolled in one of its postsecondary education institutions." But recognizing that they may just accept the status quo and not be willing to hand out more money to get that small amount of money from the Federal Government, we said, "let's provide a little incentive and divide it by the population, making this a ratio." So it makes it possible then for them to have a measure of effort, by their total enrollment divided by population, compared to all other States. Their effort is not based on their absolute size but on their relative size. Wyoming would be able to compare favorably with California in competition for Federal dollars. But we recognize that this is also a matter of financing and not just a question of enrollment. And if you are really going to give incentive to States, you better look at their financial structure. So, we said, "let's take total expenditures in the State—expenditures of the State government on all forms of education in the formal sense." Of course, you could decide what it was going to be, what institutions and what types of education you would include.

We felt we ought to include student financial assistance as well as State appropriations to institutions. And it ought to include State appropriations to private institutions. This way, if States chose to give all of their money in student financial assistance, there would be no penalty for that. They would be just as well rewarded for giving all of their appropriations in student financial assistance so that it would finance postsecondary education that way. They could equally well choose to give all of their money to institutions and no student financial assistance and there would be no penalty. But they would be given credit: their effort would be measured by their support of postsecondary education according to the means that they chose for support. The assumption is that they will evaluate and monitor what they do with their money to make sure that it is wisely spent, rather than having some Federal agency monitoring that mechanism. And finally we said, "we want this to be equitable among States, so let's divide it by total personal income, so that it is a ratio rather than simply an absolute amount of dollars." This would keep the rich States from getting richer and the poor from getting poorer, and puts Federal assistance on an equitable basis. We also concluded that to provide additional leverage here, because the tuition question was sufficiently severe and costs were rising at sufficient rates, we wanted to try to give incentive to the States and institutions to keep tuition down. So, from their expenditure records, we have put into the formula a reduction of the tuition—we would subtract the amount of tuition that was collected by an institution within the States, both public and private, from any contributions the States made to education.

This would put pressure on the States to say, "look institutions, let's hold the tuition down. We will keep our expenditures in support of postsecondary education up, but you keep the tuition down, in order to maximize our share of the capitation grant coming in, in support of our enrollments." Now there are many ways in which this kind of a formula might be modified so that the Federal Government could manipulate it to provide emphasis. If, for example, you put a variable in front of each of those five numbers on that student effort formula, you could say that this year we want to give more importance to enrollment than we do to expenditures, or you could even subdivide it and say, that we are interested in the enrollment pattern by income groups and that instead of one enrollment up there, let's have three classes of enrollment on the top of that formula. Then we could say that there is enrollment of low income, middle income, and high income, and could put a variable in front of that so that low income got more attention than the high income——

Mr. O'Hara. Weight it twice as much—or whatever.

A. Yes, you could weight it. And that would be a matter of judgment. However you wanted to carry it out would be a policy judgment. And you can weight any of these variables in that way which would be a matter of policy judgment. Finally, in order to determine how to distribute the money, the calculations here are based on readily available statistics. We have checked and have found that these numbers, depending in some part on how you actually choose to define expenditures when you get down to it, and are generally available in every State and that most Federal agencies could get their hands on them very quickly. The calculations are something that might take a half hour after you have got all of the data together, and it is possible then to provide a rank listing of the State efforts. The first State, assuming that it got the highest coefficient, would receive the full capitation grant that was set for that year. You might say it is $100, so you would just multiply the State effort ratio by that $100 to determine what all of the other States got. And it would be just based on their State effort. Interesting enough, if a State's effort changed the next year, it would not penalize any other State. The other States still get their share of the capitation grant in the same way. So, in a sense, while it is a ranking of State effort among the States using this formula, it does not penalize another State in terms of its ratio, when one climbs up the ladder. All States could come out to be 100 percent, in terms of State effort. The final problem, of course, is a very practical matter with regard to Federal legislation—you seldom have an open-ended funding system in which you say you are going to give $100 to everybody no matter what. And the question, then, is how would you determine some sort of safe upper limit, which is the same kind of problem we have in BOG's, SEOG's, and so on.

Well, there is one procedure for doing this. If you decided you were going to put in $1 billion right now for roughly 10 million students, that would crank out to be $100 per student. You could make that rough estimate, knowing that not all States would receive 100 percent of that, and you could make some trial estimate in about 20 minutes of what the State efforts would be and what part of the $1 billion would be spent. And so, in a very short time—within a matter of hours—you could come to a pretty close approximation of what would be a safe upper limitation based on capitation. You might say it will be $120 this year, knowing full well that it won't go over $119. You could build a safe limit without any difficulty, in a matter of hours. The basic thrust here is to provide incentives to States and institutions to provide access to students at as low a cost as possible to the student. It is to reward States for doing so on the basis of their capability to support, not just on the absolute amount of dollars that they pour into it, but rather on how many resources they have dividing it by personal income. It is the intention of the plan to allow the States to determine how they are going to finance postsecondary education. They can choose to go with private institutions or public institutions. They can choose to finance through institutional aid or through student financial assistance or any other means that they can devise. The plan does not impose upon them a method of financing.

At the same time, we believe the incentives are strong enough so that it would encourage them to look at how they're supporting postsecondary education, and what they're doing to increase their enrollments, so that the Federal objectives of providing access to students at as low a cost as possible would actually have an effect.

Our preliminary estimates from running some numbers through this indicate the State effort ratios would range from about 0.25 to 0.80, and we'd get quite a differential among States. Consequently, some States would be in a position to move rather rapidly to improve their student access and gain Federal dollars, whereas other States, that are already making a significant effort, would not be able to gain much, but they would participate in the program and get an initial, very large, sum of money, if this kind of program were instituted.

Mr. O'Hara. I picked the right one. You kicked it off with a very stimulating thought. And that is that we give consideration to a program which would provide for allowing States to sort of help postsecondary education each in their own way. If they want them to put it all into tuition grants, they could put it all into tuition grants. If they want to put it all into supporting institutions, public institutions, private institutions, whatever they wanted to do, they could do. And the amount they got would depend on how much they were doing on their own, so presumably it would stimulate greater State effort, and the Federal dollars that you invested each time you increased your investment of Federal dollars it would mean that there had been some increase in the State effort. I would like to ask for some reactions, Mr. Dellenback.

Mr. Dellenback. May I just ask a couple of questions? Looking at the paper, do I understand correctly that the formula, would include both private and public?

A. Yes. The expenditures would be State expenditures. In some cases, States are already giving money to private institutions.

Mr. Dellenback. Would this be skewed at all in a State where the enrollment in private was relatively high and the contribution to private was low or none?

A. No, because the enrollments would be in private institutions too.

Mr. Dellenback. But the point is, wouldn't that skew it? If you had two States with the same number of students and in one State there was a high enrollment in private institutions and you would include all of the tuition that was paid in that situation, but you were getting no State contribution to the private.

A. Well, it doesn't matter, you would be getting State contribution. We lump all the contributions together.

Mr. O'Hara. The State contributions are all lumped together?

Mr. Dellenback. In a State like Michigan, they put a lot of money into private. And in another, with the other things being the same, with the tuition being the same, with the enrollment being the same, but no State expenditures——

Mr. O'Hara. Then, presumably, the total expenditure per student would be down in that State and that factor would be smaller. It seems to me the one that would get skewed is that when you put in the minus tuition, for instance in Massachusetts where they have a lot of high tuition institutions that minus tuition figure would be bigger.

A. The formula above that does not have that minus tuition in it.

B. This is tuition in public institutions, right?

Mr. O'Hara. No, all institutions.

A. It could be just tuition in——

B. You could wind up with almost a minus effort in the State like Massachusetts. It would be infrequent, but it would make a difference. There is a particular penalty there too, because their private population is out of State at least 50 percent.

Mr. O'Hara. That would help them. Maybe that would be an offset for them because their second factor their enrollment population ratio would be better.

A. Some of these nuances you are addressing are addressed in the full document. When this approach was first developed, it was the intention to give the money directly from the Federal Government to the institution, and to track students across State lines. But the data gathering process and the formula became so complicated that we finally simplified it by just focusing it on the State. What we have tried to show here is that by deciding upon each of these variable, the Federal Government could do some interesting manipulations of incentives for States and institutions without forcing the State to choose any particular financing pattern. Now, if you were going to give serious consideration to this, you would have to decide whether you wanted to include a minus for tuition and what tuitions you wanted to reduce. The full report tries to give some of the impact on the various States, and you are correct in that if you put in a minus tuition, a State like Massachusetts would on the one hand have a very low ratio on the financial side, but on the other side it has a higher ratio in the enrollment——

Mr. O'Hara. Because they are an importer of students.

A. And so, the total effect of these things is not as serious as it appears. Another interesting thing: we had a couple of people outside of education look at this about 3 or 4 weeks ago, and one public relations man said a State could put on an advertising campaign, perhaps at less expense than providing money directly to institutions, and increase its enrollment. There are many ways in which a State might choose to accomplish or maximize its State effort. And it would encourage the State to look at other ways to encourage student access than just dollars. They might look at giving money to fifth and sixth grade counseling—any way that they can increase the enrollment. And so it leaves it up to the initiative of the State to look at the problems of access and try to develop programs that meet its local needs with regard to access. The access problems are not the same in every State; they are different. And we wanted to give them a kind of a general incentive without telling them how to go about it.

Mr. O'Hara. Well, I don't know who Kirschling or Postweiler are, and I haven't seen the formula before, but I kind of like it because it gives them a real incentive to boost their toplines. And their toplines are their expenditures and their enrollments. That's what fattens them, to somehow boost up those two toplines.

B. It is interesting that right now there is a bill in conference on the veterans program in which this problem is addressed too. There the tuition differential is exactly the opposite of this. If the tuition differential proposed were to be passed, the States would be rewarded for not supporting higher education represented by high tuitions in public institutions, particularly. And this kind of an approach would speak to the exact opposite of that States would be rewarded for their efforts.

Mr. O'Hara. And presumably the States could, for that matter, use the money, use their own money and the Federal money for loan programs. It doesn't matter, they spend it any old way they want, that helps postsecondary education.

A. It is, in a sense, a dedicated revenue sharing that has the advantage of not having to be closely monitored, because the next year around they are going to make sure that that money was spent there or their State efforts are going to go down and the rewards will go down. So, it has got a built-in evaluation system. The other thing is that it just would not require a large bureaucratic structure to administer. I suspect you could administer this program with two or three staff members.

Mr. O'Hara. You could, but they won't. You are going to be amazed. If such a thing were ever enacted by the time they got through with it, the regulations would be in a volume that which, and it would take at least 10,000 people to watch the program.

C. I do think, Mr. Chairman, that this is without any doubt, one of the most effective kinds of formula for revenue sharing in higher education that I know of. I think it does have some problems. One of the problems is what would be the possible relations among other things to the proprietary institution. That is not clear. If there is any possibility of moving in the direction of revenue sharing in higher education—this is probably as neat and as well developed a formula you have improved it tremendously, A, over the older one—as any that I have seen. In principle, I would very strongly support a move in this direction.

D. Can I just add a small footnote here because C brought the thing up. Like many of these things in principle, they sound very fine and I just always have to ask this question, what about the fine tuning? I use for example when money flows to an institution, people assume that it is a subsidy and I suggest that maybe the time has come for legislative review of the terms under which money flows to an institution. And I suggest that some flow of money is a true subsidy. Somebody has decided, either the State or the Federal level, that just by reason of its existence, this institution is entitled to this money to do as it sees fit. On the other hand, people say well we don't want any strings attached, but there is a long history of the flow of money to institutions where the institution receives it for a specified purpose related sometimes to a specified student. And in that way it is really in the nature of a contract, whether it is MDTA or vocational rehabilitation or I still suggest the veterans cost of instruction allowance and some of these others that have been justified because you are taking certain people. They cost more to educate, therefore, you can overcome some of these emotional arguments that have been used, if you truly define what you are doing. And I think this gets back to a great lack of candor in many areas of the legislation, but I will reserve that for later.

Mr. O'Hara. I think that each State would have to make its own decisions on how they wanted to use that money.

D. You see, that is what disturbs me.

Mr. O'Hara. Right, you think some of them would make bad decisions. I don't know if they would make as bad decisions as we do.

D. Well, let's say this. When Don Payton testified last year that less than 8 percent of the money they administered goes to students in proprietary schools it raises some questions. Take the SSIG program, which I now find although they will count the students in all institutions, the State can spend it where they want to. Well maybe this is a policy decision, but I think it should be candid and open. That is all I have to say.

A. I think the Federal Government, if it wanted to, could say this is defined as postsecondary education, not higher education, so students will be counted according to that. Second, this is also financing of postsecondary education, so expenditures will be determined on the basis of financing postsecondary education. And, if it really wanted to put in a twister, it could put a variable on the front of one of those things and stack it up collegiate versus noncollegiate sector. The Federal Government could provide incentives to encourage vocational education through this if it wanted to.

Mr. O'Hara. Or low income.

E. That is not an innate problem with the formula; it is a policy judgment problem.

Mr. O'Hara. Let me just get in one more word. It seems to me that one of the problems you have in directing Federal efforts toward postsecondary education as compared to our programs for elementary and secondary education is that the States have quite uniform systems of elementary and secondary. There is hardly any variation in terms of the kinds of systems that the States support. The only variations really are in the relative proportions of revenue sources; some rely more heavily on local, real property tax basis than others. And some have more State aid, others have less State aid, but they all support a K-12 type of system overwhelmingly public. The States, on the other hand, have a great deal of variation in the ways in which they stimulate and support postsecondary education. And so it is a little harder to put together a Federal formula that works everywhere in postsecondary education.

E. I would like to follow that up because I think that is a very good point as you think about the various State constitutional limits on State support of various forms of higher and postsecondary education. You get an enormous disparity among the States where in some States it is against the State constitution to provide any State funds to a private institution, for example. And so you would have, if you are just providing moneys to the State, you would have a very inequitable treatment of some classes of institutions just by the differences in the State constitution, not the Federal constitution. And one concern one should ask is what is the equity of a system which because it is provided through State structures makes it impossible for private institutions in some States to get a penny of it directly? Second, we ought to ask do we want to reward initially high public involvement, which is a historical accident in most States, by basing it on the current level, or do we want to put a focus on the kind of changes in public involvement, which also is a historical event? You see States of New Jersey, Pennsylvania, New York, or Massachusetts where there have been major changes over the last 10 or 15 years and, therefore, are at a rather different level than States of the West. Anything that is based on the absolute levels of State support and enrollment levels is going to be inherently inefficient. We don't have a measure in this of how much impact we are having per dollar; that would be interesting to work out. But it is the same problem of providing untargeted aid of any kind that you would be spending large amounts of money for very small net changes in enrollment or small net changes in expenditures.

One way to deal with that would be to just look at the year-to-year differences and base a formula like this on the change in enrollment divided by the change in population or the change in public expenditures divided by the change in public income. Because that uses the same data, it requires no new data and it focuses on what is really happening in the rate of change. I think that is a much more serious concern when you are trying to stimulate a decision, you are looking at a place that is already spending $1 billion of public money in public higher education. The change of $10 million which, by the way, is the size of the whole student aid program in many States, gets absolutely lost in that sort of total environment. In other places that is a very substantial change so——

Mr. O'Hara. Some States are now making a relatively high effort and others a relatively lower effort.

E. That's right.

Mr. O'Hara. And you would reward them equally for increases or——

E. Well, that is a question of what you are trying to accomplish. If you are saying that adding 100 students, increasing the access of 100 students, has a different priority in a State which has low access now than a State which has high access now, you would want to reward those differentially. This formula says that adding 100 students depends upon the population of a State, and you would want to weigh that by the population in a State. So a State that has a high population adding 100 students is not nearly as important as a State with a low population. But you might argue, too, that 100 students is 100 students, and we want to reward that directly.

Mr. O'Hara. But in terms of the effort index you wouldn't affect that really. You would affect this other factor, which is——

A. It would affect the effort index. But let me——

Mr. O'Hara. Well, I am not so sure. If you just fiddled with your second factor, the enrollment population factor, and made that a factor—increase in enrollment over enrollment—and leave out population, you see, that would——

E. You could look at the rate of change of enrollment.

A. Let me ask a question—I am not sure—what you are suggesting then is, as I understand it, that a State that had already reached a sort of a maximum enrollment in proportion to the population, like California—something like 70 percent, would have difficulty in making any additional change. And so you would penalize those States that had already done so well that they couldn't do any better? Well, is that what your question is?

E. No; that is my third point because you said that as other States increase their effort, that would not affect the reward of States that were doing well, right? Remember that point? So, according to your view there is no way of penalizing a State that is already doing well, right? Now, that is not correct.

Mr. O'Hara. It is not correct if you fit it with that second formula. No; you are right, it is not quite correct in any event because of the enrollment increase. If you left it the way A had it, it would be correct.

A. Well, if you had a fixed appropriation, if you said it was $100 per capita and we are going to pay everybody that $100 per capita, there is no way of penalizing anybody.

Mr. O'Hara. Well, one thing I like about it is that it is a formula grant type of operation, and so if someone tried to exercise withholding on it, they couldn't. In that sense, it has got the protection of a formula grant.

C. I would like to comment on E's first point and maybe turn it around to some extent. One of the things that sometimes is very easily forgotten in Washington is that it is a fact that there really are 50 States, and they really are different. They're different historically, they are different ethnically, they are different in terms of economic income, they do have different structures, but I think one of the questions which is often overlooked, and which A's position does address itself to, is how do you utilize the existing structures to encourage change and to develop the kind of system which does create appropriate access, the aim supposedly we are all working for. And I suggest even the constitutional problems in a sense are addressed here. Now there are some interesting things that have happened over the last 2 or 3 years. As you know, there is an attempt now to change the Massachusetts constitution. There have been court cases in Washington, Virginia, and a couple of other cases that have been negative, but new ways around these have been found and they have been addressed. This I think would do more to increase the rate of change in constitutional provisions which are detrimental to effective aid than anything that has been talked about or has been thought of today, the States aren't going to change if the Federal Government simply says change——

Mr. O'Hara. I am not an expert on court decisions on higher education, but I don't know any case where they have said that a State could not, if it wanted to, operate a BOG type of program without regard to what school the kid attended.

C. The Washington program which did involve aid to students through somewhat of a tuition equalization type of program was declared unconstitutional by the Washington Supreme Court.

Mr. O'Hara. Did they give the money to the kids or the school?

C. They gave the money to the kids.

Mr. Andringa. I think the Virginia loan program that then forgave parts of the loan to students——

C. Got in the same kind of trouble, I believe. Now Washington is reformulating its law in such a way that it will get around the constitutional provision, I think, but something like this I think would cause rather rapid looks at the constitutional structures and very possibly lead to the appropriate changes. And I think the advantage, on coming back to what E was talking about in the first one and your point in regard to the differences among the States, the advantage of something like this is that it does utilize the existing structures, take into account the historical background, but serves as an incentive to the kinds of change which bring about both State and Federal objectives. I would suspect that this would initiate a good many changes in a good many States rather rapidly and do so for the right reasons rather than the wrong reasons as has sometimes been the case in the past.

D. Could I ask—is this a proposal to replace all of title IV?

Mr. O'Hara. Well I think the way A looks at it you could replace none of it or part of it or all of it, depending on how you want them to go.

A. Well I don't know what Kirschling thinks in this. I haven't discussed it with him. But, as I outlined in the beginning of that paper, I think that while you could put in variables to manipulate for low-income problems and so on and provide incentive to the State, I still think there is going to be a big problem left, even after this kind of an incentive program, for equality of access, and that the Federal Government really ought to stay involved in some kind of a student financial assistance program that particularly gets at the low- or middle-income groups.

C. If this were tied for example with an expanded BOG's program, I think it might make an awful lot of sense.

Mr. O'Hara. We had a nice discussion yesterday having to do with what our objectives are and the fact that we fail to sort out our objectives. Someone suggested that maybe we had done things the way we did out of design because we knew that if it was clear just what we were trying to do that we didn't have the votes to do it, but John Dellenback and I in a fine bipartisan spirit assured our participants that it was inadvertence and muddled thinking that had gotten us where we were, rather than any cleverness. Not that we are beyond that sort of deviousness, but that we just aren't capable of it all of the time.

Because we have never sorted out what we are trying to do, are we trying to increase the numbers of people who are involved in postsecondary education of every age group, at every income level, on the assumption that the better educated, the populace is, the higher the personal income is, the better the quality of life and so forth? Is that what we are after or are we more concerned with changing the mix of students by income and ethnic groups because depending on which it is are trying to do you adopt different strategies? One thing is effective for the one and something else is more effective for the other. If you were saying, look we are going to do this as a basic aid effort, then you still might want to say, OK in addition we think that there has to be a real effort at changing the mix and increasing the involvement of low-income and disadvantaged youngsters of "college age" in postsecondary education. So we're going to have a couple of other programs that we will run out of Washington that are designed to do that. But they might be a little bit different, programs that are designed to do both.

C. And I don't think these are mutually exclusive by any means. Both are important and probably a third is important too, and this is opening up the range of opportunity in relation to the field of postsecondary education. To some extent, I think this might be accomplished through A's approach; to some extent it may again call for a reconsideration in relation to certain existing types of programs as well.

Mr. O'Hara. Well, you know there are several ways of getting at it, the institutional things I pointed out among these same people, of course I won't go through it again. The tremendous impact it has on postsecondary education when you open up new kinds of postsecondary educational opportunities rather than the traditional liberal arts curriculum or something, when you get into different sorts of things that community colleges are doing and the proprietaries are doing and some of the 4-year institutions are doing, private and public, and that has a tremendous impact and, of course, some of this money might go that way. And we are something like the blind men who were looking at the elephants. We had Oscar Shabat in here from the Chicago Community College and he was saying, "Wait a minute, if you are really interested in getting low income people involved in education, you ought to come to Chicago and look at my institution, and that will show you how to get low-income people involved." We have got, I forget what their enrollment is, it is very sizable, they have a number of campuses and it's 80 percent low income. And so there is certainly more than one approach, even if you narrow the problem to low income or disadvantaged, there is more than one approach.

A. It is attacking other problems. It is also attacking the financing problem, but it is getting at trying to bring the services to the people where they are.

Mr. ANDRINGA. What about taking the last 2 years of high school and beefing it up to provide what most community colleges provide, and that is within easy commuting distance with every city?

D. Well, then what do you do with the high school teachers, shoot them?

Mr. ANDRINGA. Send them over to colleges.

D. Under MDTA?

There is an ecology here. The ripples do go far beyond just a low-income route or a particular category of institutions.

A. How are you going to go about it? Or are you? Because I think he raised a very important question. What are you trying to accomplish? I really think that is important. Do we really believe that it is now time to take a plunge for a sort of universal education for 2 years beyond the high school because it is good for your society, or are we just trying to change the mix, or are we rather just trying to meet the demand? I think these are important questions and I don't think they are specifically subject to analysis. I think it is more a judgmental call on the part of the representatives of our people, but I am very much interested in how this thing comes out. I personally have biases that argue that while sometimes we question it, there are other times when it becomes obvious that the opportunity to have 2 years of education beyond the high school is really not so much a luxury any more. It is a rather highly competitive environment for employment. And, when you look at the skills that clerical staff or secretarial staff have to employ in this modern day and age, even the telephone skills are expected to be higher.

Most of the people who are getting jobs either get education on the job when they get there or have gained it through some sort of formal procedure. And it seems to me that it is no longer just a luxury that they had a little bit of extra education—no matter how they got it—beyond the high school, but that it is almost a necessity for them unless they are simply going to be laborers. And even then, given the way in which they have to live, the income tax forms they have to fill out, and the various and sundry things they make life complicated today, it seems that even for them it would help.

Mr. O'HARA. Jim Harrison pointed out, you can't fill out a BOG application without a pretty damn good education.

C. Mr. Chairman, it seems to me that we make a mistake though in simply talking about 2 years beyond the high school with the assumption that somehow we are addressing the traditional college age student. It seems to me that at present it is a much larger picture, and what we are really concerned with is the availability of postsecondary education of an appropriate form at whatever time in life it is necessary and desirable for the person. I think if you use that and recognize that to a certain extent it is going to have to be voluntary in relation to the person under any circumstance. I would hate to see us move to a compulsory 2 years of college. This I think would simply reinforce the assumption that we are trying to delay the age of adolescence and all that sort of thing.

I think the question from this standpoint is again far larger than just the traditional college, you see, either public or private. It is rather the availability of the range of forms of postsecondary education to any person at any time in his life including, there is a fascinating experiment going on in Minnesota at the present time in gerontology, in relationship to education of the aged. And involvement of the generation gaps or the generation bridge within the postsecondary institutions.

I think this is part of the total picture too. And this leads me back to another point, we have stayed away, for obvious reasons I think, from discussion of the relation of voc-ed legislation to the whole postsecondary picture, and yet the new Voc-Ed Act is under consideration at the present time so far as I know there has been very little input from the postsecondary community in relationship to it. I think this is a third string of the bow; we have got the question you raised in regard to opportunity as it relates to student aid. And the second question that I think A's paper raises and is very important in terms of revenue sharing with the States to improve the general picture in postsecondary education, and we have the third component of this that somehow has to be woven in, and that is the relationship of voc-ed in the more traditional sense to postsecondary education in the larger sense and the recognition that we are really at the point at which the dividing line between secondary education and postsecondary education in voc-ed is a highly mythical dividing line, but one which causes fights in State after State. And somehow this needs to be woven into the picture too. I don't have a ready answer or formula as to how, but I think this area ought to be opened up and put into consideration as we go along.

A. I would like to reinforce C's position on the 2 years. When I recall some studies I did several years ago on retention in high school and my personal interaction with the subjects themselves, I came to the conviction that perhaps we ought not to require school for as long as we do—that students ought to be able to leave earlier and have a reserve of 2 years so that when they were 25 or 45 and decided they needed to go back they would net have forfeited the right to go back in.

Mr. O'HARA. One of the ways we could help people who are not now participating more than just about any other way would be to provide financial incentives for all kinds of postsecondary institutions to develop open admissions policies and programs that will assist the less well qualified applicant to complete the course, at least some level of preparedness in education. E, I think you had some figures at one time that showed that the percentage of high school graduates going on into postsecondary education by income group should not show the same degree of variance that the percentage of college age population attending postsecondary education institutions by income group did. In other words, that to a large extent those who were not participating in postsecondary education were more or less foreclosed by the admissions policies of postsecondary institutions, and, of course, our aid programs define an institution of postsecondary education as one that enrolls high school graduates. And indeed this causes problems in some open admissions institutions.

E. I care very much what they have been saying and I think one way to make it operational, just to give you an example, is that in consideration of student aid forgone income is not considered a cost of going to some form of postsecondary education. That is perhaps a legitimate position for 18-year-olds, but it is a totally unrealistic position for 28-year-olds and 38-year-olds and 48-year-olds. The major cost to them is the forgone income.

And just a simple statement of the way we put together the allowability of cost says that we are not concerned about adults; that is we do not recognize that you are a wage earner, we recognize that you are dependent upon other people. But that is increasingly not the pattern of people who are involved in traditional institutions and I don't think it should be the pattern of the kind of public policy we would advocate for the future of postsecondary education. That is just a simple example of the way the student aid legislation defines the focus of the people. If we expanded that to include opportunity cost, all of a sudden you would be dealing with a program that would greatly facilitate retraining and returning individuals who were past 22 years old.

D. Could I quiz you a little bit on that? When you talk about retraining and so on, do I read into that that retraining involves an occupational orientation?

E. Well, I think the reason a lot of adults come back to college is partly vocational and partly personal development. That you have people who are going through various transition phases of life where they have been in a particular profession for 5 or 8 or 10 years and they are saying, gee I really would like to become a lawyer. I really would like to become something different, or I would like to just take a year and consolidate my thoughts and branch off in a slightly different way.

Mr. O'HARA. When you get older, E., you will find that's part of the malaise of being in the forties. Do you want to change your vocation? And an awful lot of people would do it, if they had a chance.

A. E has focused on an important point, but in a sense the current situation is not entirely as we have described it, because when we are looking at graduate education or professional education and the financial aid programs, we do consider foregone income. Look at the level of support given to graduate students. It is in terms of expected earning power and so on. If a person interested in television or electronics repair could go to school and get $9,000 a year to do some research project on the side, I suspect there would be a lot of takers. These are the facts of life in graduate education. Now this has a lot to do with manpower production and our perceptions of where we need to have our skilled manpower focused. But right now there is a lot of concern about focusing that manpower development in the occupational areas, and yet we don't seem to have developed programs that are nearly proportionate to the effort we have put into the graduation education arena in terms of support of the individual based on his earning capacity and his financial need relative to his standard of living.

C. That varies though from field to field within graduate education in the arts and sciences it's low. In the professional field, it tends to be high.

E. No; it tends to be low. Take law, what kind of public support is there for——

C. Well, with exception of law.

E. Well, take education, what's there, divinity or take urban design, I mean you find some high-price medical scholarships now, but there is very little public support in graduate and professional education in the form of student aid and what is there, if you take the NSF model at least where they paid an institutional supplement, they paid fees and expenses and then the stipend to the student was $2,400, $2,600. It certainly didn't recognize opportunity cost. It's nowhere near a competitive wage.

C. I think what A is talking about, though, is not so much funds made available for direct student aid for graduate students, but the kinds of structures that are built up within graduate institutions, through involvement in research projects and so on and so forth, to reinforce the person in a high-priority field. This again varies in terms of Federal support for student aid in the graduate area, this is not high and it hasn't been. I think there is one other aspect of this that ought to be found in the picture too. I have trouble agreeing with Frank Newman on a good many things, but on one thing I am very much in agreement. His concern for opening up at the beginning the possibility for work experience in that sort of thing and for delayed entry. It seems to me that one of the areas that ought to be given serious consideration is the possibility of developing or at least considering the development of some sort of what might almost be called community service fellowships so a person would not have to or necessarily be expected to, as I think is pretty much the case now in terms of the structure of aid, go directly from high school——

Mr. O'HARA. Why community service? In other words, why isn't it. I think that we are all familiar with what happened when the GI's came back from World War II and that they were much better students than they would have been if they had gone directly into college. We generalize from that experience saying well there are a lot of high school graduates who would do better and have their feet on the ground a little better if they had worked a year or two before they went on into higher education. What if they want to work in a gas station or what if they want to work as a construction laborer, as a merchant seaman or whatever?

D. Are you keying this with a subsidy?

Mr. O'HARA. No, I am just saying then they ought to be eligible for the same subsidy as anyone else afterwards. But the community service thing, tying it to community service, I don't know.

C. One possible way to do it, Mr. Chairman, would be in terms of further development of the entitlement program, so that entitlement would not be limited, let's say, to a particular time.

Mr. O'HARA. That's right. You see the trouble is now if this kid goes out and works when he fills out his BOG application they want to know what his last year's income was, and he puts down it was $5,200 or $6,000 or $4,800 or something, and at that point they tell him, well, we are not going to give you any help. I think that is a part of the problem.

D. Most respectfully I say that throughout title IV there is a real lack of candor, a real refusal to admit what we are really doing, I mean for example, they talk about title IV as student financial assistance. I still submit that you can distinguish those programs, in which supposedly the institution is an incident of the student's decision, that is, guaranteed loans, and BOG and those programs where the student is an incident of the institution's discretion, largess or——

Mr. O'HARA. He is a passthrough, in other words.

D. That's right. He better get to the institution first and then granny will be good to him.

Mr. O'HARA. They hand him the check and while they still got their thumb on it they say now you just endorse it right there.

D. And we are really all victims of our own heritage, we all come out of an era where, you remember the old Mutual of New York ads where the parents are down at the railroad station putting Johnnie on the train and off in the distance is the kid with the porter's cap on pushing the baggage cart, the story is his father died and didn't buy an insurance policy. And he is doomed, I mean he will stay there pushing that baggage cart.

A. I am not going to disagree too strongly, but there are two points that I think need to be made on the other side of that fence. I happen to agree with your position, but there are two points that we often forget when it comes to student financial aid programs that are institutionally based as opposed to centrally based. And one is that it is possible to devise a national student financial aid program that is institutionally based and that does not put the student in the position of being sort of forced into the institution, because the student knows "if I choose this institution as opposed to that institution, the institution I choose will get the money." And it is possible that the student makes his choice and then the institution gets the money. If we had set up the regulations so that the student really can't make his choice until the institution has got the money to offer, the regulations are at fault, not the law.

Second, I think that the same vein in which we have tried to say "let's devise a formula so that States will have incentives to accomplish something and we won't tell them how to do it," there is some incentive in student financial aid programs that are institutionally based, because they can start looking at the variables more closely than in some rational picture and say, "here is the real hangup in this case, and it isn't money, it is some other kind of thing. A Federal aid program administered from some central location treats everybody the same, regardless of the unique problems. And those considerations are valued on the other side of the fence.

C. I think A is right, but I would like to carry it one step further. The point that A is making is that in terms of determination of the final mix the student aid officer on the local campus may well be in the best situation to do it. You have to recognize that there are final judgmental factors that probably can best be handled by the student aid officer in the individual institution. I think any of the things we have been talking about do not invalidate that. On the other hand, I think, given the present structure of institutional programs, there is a real danger. The danger is the one that B put his finger on, and that is that student aid is used for other than student aid purposes. And it seems to me that it is very important to recognize that institutional aid and student aid are not the same thing. The function of student aid should not be confused with the function of institutional aid. This isn't to say that the cost-of-education grants and that sort of thing aren't highly desirable, but I think at the point at which something called student aid gets used primarily as a basis for recruitment or primarily as a basis for awards for distinction. Those may well be legitimate procedures, but this is not something the Federal Government, it seems to me, should be supporting as such.

B. It is ironic, C, that the proponents of that "Mega" paper that came out of HEW a couple of years ago, implied in that the notion that students would "vote with their feet" having this dollar in hand they would compel the institutions to give them what they really needed. In effect we would be using student aid very much for something other than student aid. Although it is true that even though student aid might be used for another purpose, it doesn't ever lose the student aid purpose. In other words, the student does get enrolled, he does get into the courses. Granted that the money then is used to keep an institution going or a department going. I don't think that necessarily makes it anything but student assistance. A didn't mention something else that is worthy of commenting on and that is the notion of does the money go to the institution which then chooses the student or the reverse. Students don't behave like informed consumers. They are less so than most of us and we are not very good in spite of our knowledge. And it is the reality of their behavior that has to be paid attention to.

C. And Mr. Chairman that raises to me one of the most important points that has been almost traditionally overlooked. We have made minor stabs at it, but it seems to me that one of the things that in any new title IV or even moving in the direction that A is talking about that should some how be provided for is the development of a more adequate information system, and one that is not just institutionally based. And here again it is tremendously important that the student financial aid officer in the institution be fully knowledgeable. There is a place and a need for more adequate training of student financial aid officers on institutional, State, and even on the Federal level. And it may well be a very wise expenditure of funds, of Federal funds, which in the long run would lead to economies, would be a more effective inservice training program for all of these.

Mr. O'Hara. I think we have a choice——

C. But it goes one step further——

Mr. O'Hara. We can simplify the system so that the average student aid officer can understand it or else we better train the student aid officer.

C. You will probably need both.

Mr. O'Hara. The reason we need the training is we've made such a dammably complicated mess out of the student assistance program.

C. That is part of it, but there is another interesting factor in this that sometimes gets overlooked. And that is the peculiar strains the student aid officer is under in relation to his own institution and his student clientele, and the rather peculiar and sometimes anomalous position he holds within the institution itself. The other part of this is a need of more adequate information structure to get to not just the students who have enrolled in institutions or who have applied to institutions, but for the wider community. It seems to me that it would be highly desirable to think about the possibility of developing centers for information for students that are able to give full range of information what the real options are. I don't think it can be left to the high school counselors or to the college counselors and so on, but should be available within the community itself for potential students of all ages and types.

Mr. O'Hara. Again, I think it is a matter in part of simplifying the system.

C. Well, simplification in system, but it is also information in relation to the types of institutions that are available, and the relation of the aid to the institutions themselves.

C. You are talking about high school counselors in a sense or something——

Mr. O'Hara. Except for the other age groups——

C. I am saying that the high school counselors alone can't do it, they've tried over a number of years. Some of them are valiant in effort. There exists a multiplicity of centers already. There are VA centers in communities and social security centers in others, and either of these could be used as a base for the community.

Think of the number of places where they can be lodged, they might even be lodged in the public libraries across the country.

Mr. Andringa. You are saying a student should be able to walk in in a city and say, "I am interested in dental technology" and someone should be able to get a print-out of the four schools that offer it in that area, names and addresses admissions criteria, and then the kinds of aids available, should be able to fill out a BOG application and put it on the computer and spit back his eligibility regardless of where he goes.

C. Alright; now I carry it one step further with this application he also ought to be able to know what's available in terms of State funds and what's available in terms of institutional funds. And this isn't an impossible dream by any means, it seems to me

F. In terms of all of these things, I think it would be helpful to see what happens to the State by State allocations at different levels of funding. I think it would be helpful to try that at 100 million and 200 million level as opposed to a billion. Then it would be helpful to take some of the other assumptions that we are making in terms of the kind of enrollment that are going to be talked about because you have got a lot of disincentives for the high cost enrollments as in graduate school, which may cost you four times as much to get $100 in Federal money. I think it also important to take a look at the incentive when you get back to what the student is looking like when he comes into an education opportunity center or what not. Is that person going to be rewarded for sitting in a college for 4 years or is that person rewarded or is the State rewarded eventually for allowing a person to get through in 3? You may be having rewards for just institutionalization, I think when you look 5 years down the line you'd want to count many things like community service, perhaps all the manpower programs, the vocational education program toward that formula, because otherwise you are just paying people to sit in school.

A. If you read the technical document, the kinds of questions you have raised have been examined—perhaps not all of them, but they have been examined. And, of course, the difficulties that we had in terms of trying to explain the formula were that having considered all of these things, getting it simple enough to explain it. Well, this time around we've said, "Let's make it very simple and people like you will come along and say, 'hey, let's put this whistle and bell on it,' and it will get more complicated as time goes on."

At this point in time, I think, just getting us to look at the simple version is important, so that we can see the potentialities of looking at the financing of postsecondary education in order to accomplish student access, through other mechanisms than we have traditionally looked at, and that was the purpose here. You are absolutely correct, for example, that some people would argue that this ought to be just limited to 2 years of instruction as opposed to graduate education. Graduate education ought to be treated differently and ruled out. You could just do a dozen different twists on this thing, depending on the objectives involved, so that it would actually provide incentives for short term kinds of programs, if you wanted to. Or it would provide incentives for program completion, if you wanted to do that.

F. I just think it would be good to get out in terms of a lot of runs of this, "who wins who loses" under a lot of assumptions.

If the approach started getting serious consideration then, of course, not only us but other people would want to show a lot of different kinds of runs on this thing. One of the difficulties of course is that as you get it more complicated, more information is required to drive it and some information that you really need, for example the time period involved in the student's attendance gets to be a rather sticky bit of information to get. You can get it, but it is very hard and expensive and that is when the bureaucracy starts to rise.

F. Has this been looked at in terms of persons who are from 18 to 26 or 36?

A. This was looked at 18- to 24-year age group.

F. If you perhaps at another level talk about some kind of a pension model for continuing education, has that been looked at in terms of how you would relate that to this kind of a model?

A. Yes. The sort of front-end social security—we have discussed how you would link that front-end social security kind of thing to this, and we feel it will work very well. The money would go to the State rather than to the individual. I personally feel that if you are going to have a front-end social security kind of approach, it probably would be better if you run it right through the Social Security Administration. That's an open-ended entitlement program which I think has a lot of merit for consideration. Now the difficulty with that is it will substantially wrench the financing mechanisms of the State. And one advantage of looking at funneling that kind of a thing through this would be that the State would then have to develop its own program, but that is going to take a lot of investigation. We know, having considered that, that it will take a lot of investigation to see how it would work. If you are going to say it is fundamentally the responsibility of the State to provide education, and that the Federal initiatives should be in support of various States doing that, then the front-end social security approach run by the Federal Government does do damage to that principle, in my judgment. But you could take the front-end social security approach and modify it by running it through a State, though the States would still have to gear up quite a mechanism to do this.

Mr. O'Hara. I kind of like the idea that you injected in there of varying it. If you wanted to concentrate on the first on the 13th and 14th years make the enrollment factor relate to that. Make them use it on first 2 years.

A. You could relate both the expenditures and the enrollment to that because most States keep pretty accurate control on their expenditures by level. So it is really no problem to focus the whole thing on the first 2 years, and it doesn't have to be just the first 2 years beyond the high school—it can be the first 2 years of an individual who has completed high school at whatever time in life. So that can be done rather easily. And put the graduate programs and upper division education in on a different financing basis—leave that to the old program.

D. Mr. Chairman, I keep wanting to relate some theoretical discussion to some of the problems in title IV that exist. And I notice that C talks about a lack of information, and B refers to the student as an uninformed consumer, I think this is probably very true. And what concerns me is that I really don't think that problem is being addressed comprehensively and rationally. I think there is a basis to address it, and I think there is some well intentioned people like some of the Newman people or the Pettis-Bell bill which wants to use the wrong mechanism at the wrong point in time to find out if these programs are effective, and are they doing what they are designed to do. And I suggest there is a principle now involved, the Office of Education has never implemented the regulations for deeligibilization, that's 438(a), but I suggest a number of these things—gathering of information, providing a basis for informed consent or informed legislative consideration—could be accomplished if there was a comprehensive postaudit mechanism.

Now a lot of people get all hung up on establishing a new group of wise men to determine eligibility, and I say whether you rely on States, accrediting agencies or what, that's just like John Milton. I think, he said the new presbyter is but the old priest writ large, but I am talking about postactivity audit which then could provide legislators, administrators, students——

Mr. O'Hara. Well, you have to have something more than postactivity audit, I think. We are going to be getting into this whole question on accreditation and eligibility of institutions and so forth, because there have been some problems. And if any of you have any thoughts you want to contribute to that, please let us know and we will schedule you as a witness. My offhand reaction, before I know anything about it, is that we ought to have certain eligibility standards in addition to accreditation, we are expecting accreditation to do something that it really can't do. We ought to say an eligible institution is one that does this and does that and does the third thing and is accredited by the appropriate accrediting agency, so that we have some sort of control.

Mr. O'Hara. I think that is a great idea.

A. We have made progress in trying to devise this kind of objective set of data that institutions could make available to their students to overcome the advertising syndrome. Our biggest problem is going to be a method of implementation. I don't know how we go about doing something like this in the public sector. Consumer Reports makes a profit as it operates. Maybe you could make this a profit-making operation, too, to provide students with this kind of document. But I am very concerned about this need for some mechanism for supplementing accrediting information—for getting information to students that will enable them to make better choices among institutions, in terms of cost, in terms of programs and prospective employment associated with various programs, and in terms of the environment in which they are going to be studying.

Mr. O'Hara. That's right. Those are the kinds of things I have in mind, and in addition the financial responsibility part of it. I think ol' Siwash has got to have a refund policy. They have got to spell out their refund policy in the case of dropouts. It has got to meet certain minimum standards at least. Second, I think they are to establish some sort of financial capability and reserve, to carry their students through and not close their doors midway in the thing and declare bankruptcy. I think we have to have some assurance that is not going to happen.

F. I think one thing that is very important in developing any kind of an overall system like that, it has really been lacking in terms of the analysis that has been done before is to just really identify the kinds of students that have common decisionmaking strategies such as handicapped students or commuting students or first generation college going students, 40 or 50 different kinds. Because I think we've sort of looked at them in terms of the kinds of students that might fill up a particular kind of institution as opposed to the persons who might come into an educational opportunity center and try to decide between going to Ryder Truck Driving School or Malcolm X College. And that seems to me one of the basic components of even building a constituency which even knows what it wants because it is those students who have to, in many ways, filter through a couple of years of understanding what their own interests are and perhaps even having 40 or 50 different kinds of students make their own suggestions to Congress as what do they really want, because I think it is pretty hard for students as they get more options to make those decisions easily.

A. One of the programs is operating on a profit-making basis. There are several of these computer programs where they send in $10 and they fill out a form. Well, as we quiz the students that have used it, they say "gee", that was great. They matched me up with an institution, but they didn't tell me why I matched up with that institution at all, and none of the information came back analyzed."

Mr. O'HARA. But they got back a little one line thing that said go to——

A. How did they match that stuff up? The student himself wanted to know how they made that match.

C. There are two aspects of it, one is what should the institution supply and the second how do you get this information to the prospective students. And I think both of these are important.

Mr. O'HARA. It is sort of a truth in packaging type of approach or truth in lending. What the Congress did in both of those cases was not to say, "you can't do this" or "you can't do that" but, "you have to supply information to the potential consumer that includes these things accurately stated."

F. That might be part of your contract if you get your Federal money, you start having those strings.

E. You could probably accomplish this partly by having the FTC look at college catalogs, because they are honestly no more invalid advertising devices known to human beings than college catalogs. And it is also one of the major sources of information that individuals have available when they are deciding whether to attend a particular place.

A. Not too long ago, before your committee, I made some remarks about the guaranteed student loan program. I am not interested in repeating those remarks, but I am interested in finding out what people around this table think about taking a different look at the administration of the guaranteed student loan program. I think that program is vital to rounding out the financial support for students in terms of getting to the kind of institution they want when they can't get basic aids and so on.

Mr. O'HARA. Let me feed something into that and let's get some reactions. In our previous panels there has been quite a bit of discussion about somehow separating out in our student assistance package the instructional cost component and the subsistence component. One of our panelists suggested that a grant program be directed at instructional costs. And then you put together whatever package of stuff you want to put together for subsistence cost. And that the instructional cost grant be one that was need based, they would give the institution $1,600 in effect no matter what the tuition was, so that you would get the same tuition package $1,600 or $800 or whatever no matter what if you went to private or public or high- or low-tuition institution. Another approach that's a little easier to grasp and I think interested our participants more in one of our participants in the first panel said why don't we separate these things out. Let's take the BOG's, take off the 50-percent limitation, and make the BOG's for subsistence up to a maximum of the lower level of what it costs to sustain yourself for a school year. And then for your instructional cost use loan programs and work study and so forth. And on those forget about need base, in other words, if a work study job is a nice thing well then everybody ought to have an opportunity for it. If a loan is what you want then why can't you get one without regard to your income. So in effect if you were eligible for a BOG or if you weren't you could decide whether you wanted to go to Harvard or to the Cambridge Community College. And if you went to the Cambridge

Community College you got your BOG, and with what you had from your own resources that was all you needed because the tuition is zero or very close to it. And on the other hand if you wanted to go to Harvard you would presumably you wanted to go there because it was a better education and so you could borrow or whatever to get the tuition to go there.

A. From my point of view, it solved some of the equalization problems that you have because in most studies of subsistence, assuming that you take into account board and room at home, there is very little difference. In Los Angeles, for example, a person going to a community college has costs probably just as great if he went to a boarding establishment at Harvard. On the average, he is paying about $2.50 for transportation a day, maybe even more. Sometimes it is one-way, depending on where he is going. Going to a community college you can add to that the board and room cost at home. That cost is going to add up somewhere near what it would cost to attend Harvard. Then that leaves only the instructional cost difference, and he can choose to go to a community college of zero tuition.

Mr. O'Hara. Or he can go to Stanford.

Mr. Andrings. What about half-time students, would you give them half of their room and board? Half of the students are part-time now.

C. I think in the formula someplace, it is highly desirable to encourage the states to continue to develop their own student assistance programs as part of the total package. As a matter of fact, we have just completed, brought up to date the thing we did back in February and while there are five States that do not need appropriations at this point, including those in terms of the requested appropriation, it looks like the total amount in state student aid programs will go up from $387 million to over $540 million this next year. And I would hate to see that initiative lost in terms of a blanketing Federal program because that comes back again, it seems to me, to the importance of the States and the State responsibility for postsecondary education.

Mr. O'Hara. I am not sure that the A approach is compatible with this approach entirely, I think it could be made compatible. But to put aside the approach for a minute in terms of a purely Federal approach I kind of like this one a little better than the present system because it does say that we will, through the mechanism of BOG, we will make it possible for someone who wants to attend college and has established need to have all that it costs to go, that is at least if they can find a zero tuition place to go. The Californian would have all that it would cost to go. You might however have to work or borrow in addition. That would give a real incentive to the States. The trouble with the present program is they provide an incentive, as it has been pointed out in our other panels, to raise tuition. This kind of program would give States an incentive to hold them down.

D. Would a proposal maximize choice of institution? I have trouble playing games with these formulas so I just want to take it on faith that if you change BOG to fewer variables and more certainty and build a base so you have then accomplished access, does it then maximize the possibilities for choice among types of institutions.

Mr. O'Hara. No, I don't think it does of itself, it would depend on the rest of it.

D. That's what I mean, putting it together with SEOG and guaranteed loans.

Mr. O'Hara. Or whatever. Maybe putting it together with the A program. And the States then direct their efforts toward the tuition grant or keep tuition down in both public and private.

A. We would really have to give some though. to how you might combine the two. And I agree with you that political realities may say the Federal involvement is going to actually try to impose some particular view on the State. This one says "Let's try to support the State in its individual view." But if we are going to say, "Maybe the Federal Government wants to impose something," I like the notion of separating these two because the basic problem with BOG now is that, while it looks neat, the limits discriminate against high-priced institutions.

Mr. O'Hara. Not only that but the 50-percent thing is just—I have sometimes used the simile that BOG is like the fellow who is drowning 30 feet off the dock and you throw him a 15-foot line.

C. Well, that's why at this point the other programs and the State programs are absolutely essential. The BOG's don't do it. I think we are fooling ourselves if we think they do. But as a base with other programs built on, it still makes a lot of sense.

E. I think what we have happening is an interesting situation because on the one hand we are looking to a need basis argument to justify an amount of money which we then turn around and use in a way that basically intervenes in price. Because a person, as you put it, has to have all 30 feet of rope to make it and you are just varying how much of that he or she has to carry with them versus how much you are going to throw out.

So that what we are doing is saying let's look at a need strategy to determine how much money we are going to put into this. But then we turn around and use that money to carefully differentiate or maybe not so carefully but subtly differentiate the price of going to different kinds of institutions, the price to the student or the cost of the student going to a community college versus Stanford versus Control Data or something like that.

And I think that if we thought about that for a moment we would feel very uncomfortable because most of our basic assumptions on need are coming unstuck, the assumption of what parents are contributing to the parents' contribution schedule or something doesn't match at all what parents are contributing—it's far off. The assumptions of what States are doing or not doing are changing rapidly, as C is pointing out, whereas 5 years ago student aid was 90 or 95 percent Federal, the balance is starting to shift for very different sets of reasons. What we are really asking is what's the influence on behavior of providing price incentives to individuals and what is the influence on behavior of State governments of providing a price incentive to them. And what is the behavior on institutions in terms of either access questions of who they admit and who they don't admit or what kind of programs they offer or don't offer of providing price subsidies to them? And I think if we took that behavioral point of view of asking what's the change in behavior of students choosing to enroll and students differentiated by whatever concerns you have, income groups or type of program or level or age or whatever, as a function of price subsidies that we provide that would give a much firmer basis for making policy decisions than to start on the other side and say ask what students need and build that pattern up.

The State of Massachusetts now estimates they have almost $100 million of unmet need of students who are currently enrolled—not new students who might enroll but students who are currently enrolled. And you take all the need formulas and add all that up and they have now proposed, the Governor has proposed an additional $25 million of State money to meet the unmet needs of students now enrolled. That will have no impact on enrollment, but will be essentially an income redistribution program to people who are there. If you add up the unmet need of students now enrolled in the United States my guess is that you would have a figure that is several billion dollars just by our current formulas. So that adding to that need structure an argument for more Federal intervention or more State intervention or something, it seems to me to miss the point that we're looking at the behavioral results of what people do as students, as potential students, what institutions do and what State governments do.

A. Well, it is a fact, as I have talked to State legislators, that one of the reasons for the increase in student financial assistance is aimed at the very strong feeling of the large bloc of voters in the State that when they approach the age in life when their kids are going to college, their standard of living should not be diminished by virtue of the necessity of putting their kids through college. If it is a Federal objective to insure that maintenance of the standard of living during college-going years is important, that's a good piece of information to have because then we would know how to start devising our student financial aid programs. But this has never been, I believe, a stated objective. It is a lack of candor, but it is at the State level becoming an increasingly important issue as the middle income taxpayers are starting to revolt and want some kind of alleviation of their reduction in standard of living.

Mr. O'Hara. Well you see what you do, is you establish institutions that provide the kind of educational opportunity you want for your children within commuting distance, it is as simple as that. That is your objective, one of your objectives because that indeed permits you to send the student to zero tuition, permits you to send him to school at no more than it costs you to send him to high school. We are talking about the traditional college student. He continues to live at home, he goes to school for zero tuition just as he did in his senior year of high school. You just maintain the standard of living.

A. We now subsidize education in such a manner that the cost to the student is pretty level right up to the 12th grade. Instead of having some sort of gradual curve going up into the 13th and 14th year, we have this tremendous leap right now. Community colleges have had the effect of sort of leveling that out so that the cost to the student of going to the 13th and 14th year is somewhat similar to that of going to high school.

C. And there is another factor that enters into it in a number of the States, in fact in 16 of them there are tuition equalization grants which help level off the difference between the public and the private institutions, and we can carry this one step further.

Mr. O'Hara. And we could direct our programs toward that if we—especially if you wanted to get into a first 2-year type of program you could say this is what we want the States to do with this money that you get under the K–P formula. We want you to make it possible for people to attend the first 2 years of postsecondary education without cost. Now they would very likely decide that one of the essential strategies in getting that done would be to locate, make sure that institutions were available within commuting distance, because that's what really runs up the cost.

C. Except you do have to feed in some other factors. Remember in a lot of States there are geographical problems relating to distance and sparseness of population which by the nature of the case would make it financially ill-advised and perhaps educationally ill-advised to develop a community college available for every one in the State.

A. But this is why the distinction in the BOG's program that was suggested by an earlier panel. I know in some of those Western States where they have great, huge distances that they've tried to locate community colleges, say, within 40 miles. That was a very nice idea, but, when we started calculating the cost to the student of his living expenses and his transportation expenses, we found that these geographic problems increased—not his tuition which was zero or very nearly so, but increased the cost of access to the institution literally in terms of getting there. And the division that they are proposing in the BOG's program would tend to alleviate that kind of——

C. There is another factor that I think can't be overlooked in this too. Even if you established, in a fairly populous State, a community college or something like that within commuting distance of every person, there is still the question of whether or not then every community college offers every program. The fact that a college is there does not necessarily mean the appropriate opportunity is there.

Mr. O'Hara. As we grow to be a more and more urban society—and we are—it is more and more impossible to locate a range of opportunities within commuting distance of every student. One of the things that has concerned me is about the crazy needs analysis formulas and all this sort of thing. It gets sort of to E's point about the real world in terms of what actually happens. For instance, a needs analysis formula, the one that's commonly used, taken into account, the alleged savings that the family experiences if the child leaves home and goes to attend school somewhere else, which are vastly overstated because in fact there are no significant savings unless you at the same time move from a three-bedroom apartment to a two-bedroom apartment.

E. Or rent out his or her rooms——

Mr. O'Hara. And that's also a part of the thing when we say, well actually room and board cost just as much as if you stay home and go to school as it does if you go away. In terms of real world costs, I think it costs a whole lot less——

E. In terms of marginal costs, I think you are right, that is where unit costing leads us astray——

Mr. O'Hara. I think it's much, much cheaper to stay home——

C. Oh, yes, in terms of actual money put out.

E. In terms of out of pocket marginal costs of going to college, yes, but if you fully allocate the cost of owning a house, and spread it over the children and calculate unit costs and you come to the other conclusion.

Mr. DELLENBACK. That only works for the front, if you are going to determine what you are going to get, then that will have applicability, once you have it, as Jim says, you don't "un-have it."

E. I agree, no. I'm agreeing with this point. I think that's why putting it in the behavioral world strikes me as a much more real setting, than the arbitrary formulas that we tend to use.

Mr. O'HARA. Then, another thing that has interested me that you mentioned is the difference in what the parents actually contribute and what the needs analysis schedule says they contribute. And it's greatly different, and it's different in different ways depending on the income group. And the impression is, shouldn't we be doing something about that? Isn't it a valid thing to say that the reasonably expected contribution is what parents actually contribute as a group? You see, we're putting value judgments in it if we don't do it that way. We're saying well, parents who are making $7,623 a year and have two children ought to be contributing so much. And we've in effect done a budget for them and say this is the budget they ought to adopt for their family. Maybe what we ought to do instead, is say the reasonably expected contribution of a parent making $7,623 is what we have found by sampling to be the actual amount that such parents contribute on the average throughout the country.

Mr. DELLENBACK. We are still making value judgments under those circumstances.

Mr. O'HARA. No, we are letting them make them.

Mr. DELLENBACK. No, you're just making them on the average. For an individual family, we are making a value judgment that everybody in the group should average out what the group averages out and if somebody just says to heck with my children, I am not going to contribute.

Mr. O'HARA. He influences the average.

Mr. DELLENBACK. But he must, so far as computation is concerned, be treated as if he did it at the average.

E. And for that person's children who—and it is actually the son or daughter that is applying for the aid. That person has no recourse against his or her family that does not provide the Federal expectation.

Mr. O'HARA. The whole needs analysis system is invalid if you go that way.

C. The whole problem of the emancipated student raises its ugly head.

Mr. O'HARA. G hasn't said anything yet, but, as the cleverest one of the group, waited to get in the last word.

G. I am grateful to the Chairman for not mentioning that is a rare occurrence. Actually after the first 15 minutes or so I took a vow of silence. I'd be an absolute fool to try to better the words of the gentleman who has spoken on behalf of our States and I couldn't if I tried. But in this whole area of needs analysis, I think the loan programs experienced a unique, I cringe at the word "opportunity," to have needs analysis that has more or less become accepted and crept up through the system and has become a familiar aspect if not an accepted one with them.

We 2 years ago had 8 days to train a whole new world, the proprietary sector, the lending community, and so forth, on the judgments that are involved in needs analysis, the reasons for needs analysis and the purposes we were trying to accomplish. In a fairly sophisticated financial world this gave us some interesting experiences. Because of the impact of our program and because we served a much older student population on an average than the traditional student aid programs have served in the past, several of us were asked by the Office of Education to start tinkering around with a new independent student needs analysis approach. And we came up with our heads right against the problem that was being discussed here of averages and came to the conclusion that part of the problem with this system, is the fact that in allocating resources you have got two desirable goals that are mutually exclusive. One is the need for simplicity to be able to explain to the students, the lenders, the schools involved and the second need for sensitivity which was essentially the response that A gave to F. If you want to be sensitive to the real world you have to start tacking bells and whistles all over each one of your formulas to take care of the differences between the widow in Connecticut and the father of five who are going to school someplace in Wyoming. I don't know that this problem will ever be resolved, I think that the solution ultimately boils down to putting the decisions, for what factors shall be taken into account in the hands of people that are closer to their individual communities coming right back to the K–P plan which means in the hands of the individual States.

Our formulas will be different I am sure. We are going to have to make our own decisions between simplicity and sensitivity in terms of our various constituencies. I really cringe at some of the title IV BOG approaches to broad, sweeping, generalizations to everybody in the United States. I think 50 of us have a better crack at being responsive to our own local needs than people who sit here and try to devise answers will be responsive to the needs of the entire country. Having broken my vow of silence, I will retake it.

A. I think G has stressed something that I didn't stress specifically, but this is one of the things that was inherent in what we were trying to get at. Decisionmaking, assuming the power of the decision maker or the capability of the decision makers, seems to be more sensitive when it is closer to the impact of the decision than when it is further removed, and this is really what we are talking about. Currently Federal programs are trying to treat the whole Nation as a whole, as though each area somehow is the same and Mr. Average works everywhere. Regionally, we are different, and you can chunk up this country into some pretty big regions that have a lot more homogeneity than the United States as a whole. On a statewide basis you get a better sensitivity, and perhaps on standard metropolitan areas you would even get a better sensitivity. And, clearly, going down to the institutional level—although the problem with the institution is that it categorizes students by institutional type and they should not necessarily be categorized that way—you would have a better sensitivity. But right now the political legal jurisdictions seem to advocate the State kind of decision making.

G. You get involved in the law of diminishing returns too, as the formula goes down. I think there are inherent problems with a thousand decisionmakers that would mitigate against the value of obtaining the sensitivity that one might have. In other words, you have got problems at both ends, and the greatest frustrations, I face is that, I can not come up with any plan that is not vulnerable at some point. It is establishing a mid point between the two extremes of the simplicity and the sensitivity that I think what we would strive for.

Mr. **Dellenback.** There is a further complication, from our standpoint, and I say this even as one who wants to see those decisions to a reasonable degree pushed out because I don't think this is the best place to make them. We have got to legislate in a way that doesn't permit our treating State X in one way and State Z in another way, we just can't draw the laws that way. We can't say that this is the way it is going to be, we have got to use some criteria when we go to draw the legislation that applied against State X and State Z, we'll give flexibility perhaps but may end up with a different treatment within those States and yet we can't draw it with the different treatment.

F. If you are talking about need analysis though if you are talking about the actual contribution and you have already gone a giant step in terms of the middle income toward being theoretically discretionarily sensitive to their needs because I think once you get to that $9, $14, $15,000 the discrepancy is $800 to $1,000 a year between the expected and the actual. You could do that for the whole country and that is a pretty basic political decision.

Mr. **Dellenback.** These are basic decisions, I am not saying they are not, at all. It is just that I see further complications in it.

E. But, I think that you have identified a very, I think terribly important concept, that is whether at the national level you want to set criteria on results or on decisions. If you say that the decisions in every State have to be the same and that is what the needs analysis formula tells you, then there is very little discretion left. And so that says that there really can't be State differences in decisions or instrumental differences in decisions. On the other hand if you say we will reward the same consequences the same way in every State, then you are treating all States the same in terms of effects, in terms of results, in terms of behavior, in terms of output or consequences, but you are saying however you accomplish that——

Mr. **Dellenback.** I agree.

E. [continuing]. You are given discretion on how the results are achieved, the process used within a State.

Mr. **Dellenback.** And what we do federally of course doesn't put all the marbles in the same bag because we may have one program which is like BOG where you make the decision one way and we have another program with is general revenue sharing, and gets complete flexibility.

E. But not on output, that is the whole point. There is still another option that hasn't been followed yet and that is to say that we will provide funds on the results.

Mr. **O'Hara.** The K–P system sort of does that.

E. Well it does except it says that if you are a State that is large in population then results in your State are less important than if your State is small in population. You have to think about weighting that is given to those incentives, but it does provide some incentives in terms of macromeasures of decisions in results, I think that is an advantage.

C. I don't think it says on larger or smaller, what it says is on amount of effort as defined in terms of the formula.

E. No; what it says, is that 1,000 student increase in access is different to the Federal Government depending upon your State. The value to the Federal Government of 1,000 more Americans going to postsecondary education depends upon the State they are in, because if you are in a State that has 2 million in population that is worth one thing, if your are in a State that has 20 million in population that is worth one-tenth. Is that fair?

A. No; I don't think so because that is a ratio.

E. That is a ratio, but if you add to that enrollment the same 1,000 students it says to the Federal Government we think they're 10 times more valuable in a small State.

A. I see your point, and if the Federal Government's position is that of wanting to get more students into college, wherever they are, then E's point is valid. If, on the other hand, what we have tried to do is reach a balance, we have said States like California and New York already have a high enrollment-to-population ratio and we really are not expecting them to go much higher. So let's not put it on the basis of change because they are not going to be able to change it very much. They might change the mix, but they are not going to be able to change it very much, and they shouldn't be penalized in this thing simply because they have already reached the goals of the Federal Government, so help them maintain it. But for a State like Wyoming, where inherently students don't go, there's room for them to really increase that and an incentive for them to increase that. Now it would be possible to alter that formula to do what you are suggesting, if then you would say "yes, let's modify this and put the emphasis on change," and if you could do that.

E. But if you look at the actual decisions of the student, the cost of going or the price of going doesn't change to that person whether there are 5 million people in the State or 20 million people in the State or whatever. And if you are trying to influence his or her decision, it is in a sense irrelevant how big.

Mr. O'Hara. Presumably they are using this money to do one of two things or both. Presumably they are using this money to provide more assistance to the same number of students or the same assistance to a larger number of students or else they are using it to reduce prices by dividing institutional assistance pegged, tied in some way with price.

A. There is a basic underlining philosophy here that says we recognize the Federal Government is not always better at making these fair and equitable decisions, but we are going to trust under this that state legislators and the Governor and the bureaucrat at the State level are going to be just as interested as the Federal Government is in accomplishing student access and in trying to get accountability for the funds. This sort of has that implicit faith. It may not always be true.

C. Except in some States, they have gone considerably beyond the Federal Government in this already.

A. Yes. But we also think that the formula does have some incentives to make sure that the State does monitor this thing in a feasible manner.

C. I'd like to come back for just a second to Mr. Dellenback's point. I think you are quite right, the Federal Government can not devise individual legislation in relationship to each State, but it can devise general legislation which takes into account the differences in the States and reinforces the structures, encourages change in the structures given those differences. And this it seems to me is the extraordinary important principle that does have to be followed.

Mr. **Dellenback**. Between encouraging change in the State and recognizing that the States should have flexibility and go where it wants to go. And they are somewhat alike and yet even those are different and we can do those things.

Mr. **O'Hara**. I thank all of you, it has been a very stimulating discussion today.

STUDENT FINANCIAL ASSISTANCE

(Seminars)

JULY 15, 1974

Mr. O'HARA. This is our final, informal meeting to which members of the special subcommittee have invited persons like yourself to come and talk to us about your individual views of an ideal financial assistance program. As I told all the earlier sessions, we are meeting informally. While we are keeping a record of what is said and we may decide eventually to transcribe and print that record, we will, how-guarantee that members and staff present understand and agree that whatever you say in this session shall remain unattributed unless and until we obtain your specific permission to quote you on some point. And it is my anticipation, of course, that all present will abide by such a restraint. And if we do print, you will not be identified in the transcripts. Why don't you start off and provoke their thought processes while I sneak off to the Speaker's office to fight for those restraints on the Rules Committee.

A. Well, before you sneak off, the first sentence I put in my observations are that low or no tuition is the best student aid, easier to administer, creates less bureaucracy, and thus promotes the greatest social benefits at the lowest social cost. So if you don't hear anything else——

Mr. O'HARA. That really sounds good.

Mr. DELLENBACK. We'll send Jim off with a euphoric glow.

A. We should be moving at least, in my opinion, toward 2 years of no cost postsecondary education. And at present, at least in my opinion, we have too many programs with too many people and agencies in the act.

It appears that a much simpler delivery system for student aid must be developed, such a simple thing as one application form—it isn't so simple—with all the elements needed for Federal, State, and institutional programs. I also believe we must be broadening Federal student aid beyond just full-time and thinking about 18- to 22-year old, with lifelong and recurrent education and the like. And last, a general provision section is needed at the outset to clarify definitions used in title IV.

For the last 10 or 12 years, I've been convinced that more and more of our activities, even social activities, are a system whether we like it or not. So, I want to deal with other factors than just direct student aid alone, for in my opinion at least, student aid is influencing these other things and I can't help but believe that recent Federal student aid policy has been a strong motivation to raise tuition. And therefore, you'll hear more than one time a concern in this regard.

So, the number one objective is to build incentives for institutions to maintain or decrease institutional charges to students. Second, to give Federal support to the extension of no-cost postsecondary education within commuting distance of all Americans, 2 years, if possible, utilizing the resources of both public and private institutions of postsecondary education. Third, to provide Federal incentives for States to develop State student assistance programs including continued subsidy of low-tuition public institutions and where appropriate and needed, development of programs of State assistance to private institutions. Fourth, to consolidate and simplify provisions relating to State comprehensive planning to reflect concern about other areas that are impinging on postsecondary education now, like career and occupational education and in particular the development of special programs for the disadvantaged.

We need, I believe, a lot of emphasis on educational opportunity centers, because I think the evidence is in that merely providing Federal student assistance is not necessarily going to reach the targeted groups, low-income and minorities that many people desire. Fifth, there should be an effort to build a sensitivity to differences between public and private institutions. This idea is terribly important, this would mean allowing greater student aid for students attending private institutions and greater institutional aid going to each public institution, accepting a federally aided student. Sixth, obviously we need to simply the BEOG program, but also in my opinion, make it more of an entitlement program. Lastly, and this might not be very popular, some incentives should be given to States that have a lower percentage of high school graduates going into some form of postsecondary education. And also, there should be some sort of incentive to States with high efforts to support postsecondary education, but low capacity in terms of taxable resources.

I thought it might be helpful to draw a little chart of what we were trying to accomplish and we've taken four of the objectives and used the definitions from the Postsecondary Financing Commission on access, choice, opportunity, and diversity. And each of the shaded areas should add up to 100 percent so the BOG's program is designed mainly as a help in access although it does give some concern to choice and would be administered far to the right to indicate Federal involvement. The SEOG program would be tied very closely to it as a complement and supplement. It does not represent as much access, gives a bit more choice, and to give students additional diversity it should be institutionally administered.

The list should also include an expanded college work-study program, a revised and very closely tied co-op program, a community service fellowship, something like a civilian GI bill and could take any sort of model but the one Frank Newman and company proposed would be the best, I think.

The major loan program would be NDSL and for me at least I would phase out GSL and Sally Mae and I hope the record is going, I don't care if my name is on it. The day we met with the Sally Mae people and I asked them again and they made it very clear that they had the right, they felt, and the mechanism to go through IRS and social security to find people, 5, 10, 15 years later, I want nothing to do with Sally Mae and encourage none of our colleges and that is out as far as I am concerned.

And then as I said earlier, we need an expanded educational opportunity center that can help in a number of areas, and then as we will see at the end, particularly relating the SSIG with State planning and use of funds possibly for private institutions although it is mainly access. I put down at the bottom that the $300-hundred plus million now used for GSL, could be used for a comprehensive community service work program and also the TRIO program would be incorporated into educational opportunity centers expanded in number and thus title III, the developing institutions title which is a Russian roulette kind of boondoggle program in my opinion would not be continued. I don't propose repealing TRIO in its current form but expanding it. With the proposal we make on BOG's, section 409 could be repealed. 420 I don't feel strongly about, we say continue. As I indicated earlier, I generally oppose the use of private lenders and some of the other side effects that I think are very undesirable particularly for targeted, low income and minority students.

We tried to work very conscientiously in this proposal to expand the work study cooperative ed areas. I personally believe that the American people will to some extent continue to support grants for particularly low income, minority students but I detect less and less interest in tying big stones around peoples' necks in the form of loans.

I believe the great American tradition and ethic has been to work and study while you get your education. And this proposal leans heavily on expanded work-study, cooperative ed, civilian GI bill concept. One of the aspects of that, that would be helpful is to expand some of these like college work-study to the private sector; change the mix of funds, of course, allowing much smaller Federal funding. I think these can be educationally sound; provide very fine learning experiences in addition to helping students in their college program. NDSL is continued, and we propose faster and heavier capitalization of that, as I understand it there are some 150 colleges that already have capitalized those programs so they are self-supporting, and I would look to increasing that kind of opportunity rather than putting it into interest subsidy that many students, particularly in junior and community colleges, but many colleges, $70 interest subsidy on $1,000 is not very important, they need the $1,000 loan, and use those kinds of funds for other desirable options.

Finally, it is important to this proposal that there be incentives for comprehensive planning where States can work on providing educational opportunity centers, building on our experience in the TRIO program and can if they desire put some of the funds toward expansion of 2 years of low-cost postsecondary education and/or have tuition assistance or equalization in the private colleges if that is a major interest of the State. As I said at the outset, there is a very great need to get the definitions of this whole bill in order. We have some suggestions there. I'd like only under the three college based programs to suggest that one allotment formula be used and while some of you are probably well acquainted with this, it was to some extent a surprise to me that by three different allotment formulas under the three college based programs the State percentages vary tremendously.

And our suggestion is that the formula for college work study be used for all three.

While it might cost $2,000 for both public and private institution to provide instructional services to a given student, the private institution would offset the expenses through tuition charges to the student of around $2,000. Nevertheless the charges to the same student attending a public institution ought to be as low as $400 since the remainder of the $2,000, $1,600 is provided through subsidy from the State. Therefore because the Federal programs do not distinguish between public and private institutions regarding the manner in which these two kinds of institutions finance their operations, the Federal Government provides a far larger share of the cost of educating the private institution student than it does of the same cost to the public institutions student. The result of this aspect of existing Federal programs has been to encourage public institution to increase charges to students. And if the current program stays on the books, I'll predict that our 96 public community colleges in California currently educating about 1 million students will initiate tuition within 2 years, they are going to be forced to. Federal policy is going to force the introduction of tuition in California and force up tuitions in many, many institutions across the country, in the hope that a larger share of the institution operating costs can be met through Federal dollars. Nevertheless we believe that the Federal Government should bear the same share of the cost of educating the student no matter where that student attends a low or high tuition institution. I would secondarily predict that there will be a court case on this if current practice continues.

When a student goes to Occidental College and can get $1,400 or $1,500 or more under one program then the student goes down the street to a public community college and can get little or nothing, ask the same student if something is inequitable. I think there are some serious ramifications can come about. What we are proposing then, the change in the BOG program to more of an entitlement, to provide incentives for low tuition and what we are really proposing is that a grant to be maintained around $1,400 plus $100 for cost of education. If a student chooses a high cost private institution with the tuition more than $1,400, he would receive the $1,400 grant and the institution would receive the $100 cost of education. If we would choose a low-cost public institution (what we are proposing is certified instructional cost. The cost of tuition, books, fees, direct educational cost), and say those were $200 in public institution, he would receive the $200 the institution would receive the $1,200 half of it would have to be pledged, in agreement with the Commissioner, for the kind of opportunities that we know now help the targeted kind of groups, the low income, the minority groups in their educational experience, and this is spelled out a bit here. And then we'd move on with definitions of the independent student and this it not proposed for proprietary institutions because this would be a subsidy for profitmaking organizations. It's proposed that this be made an entitlement, an appropriation authorization should be added which explicitly provides for one appropriation of such sums as necessary for both student grants and costs of education grants. The law should require that the charge applied by an institution to a basic grant recipient should be the same as that applied to all other students in the same comparable programs at the institution.

I think the important part is that SEOG is to be rewritten as a supplement/complement to BOG's to particularly help students that missed or there is some special kind of circumstance in their case. I just want to read a paragraph there because I happen to believe in it very strongly. "The benefits to the individual are the experience of working one's way through college or working to pay a portion of one's college expenses are not such that they should be focused alone on the student from the low-income family. Certainly low-income students should be given priority for such jobs, but students from all income levels could benefit from such inexperience. And nevertheless we believe that every effort should be made to assist low-income students with grant assistance rather than work-study. Such students quite often are high-risk students who need extra study time, not work because work increases the chances of their academic failure." And as I said the other day when we were talking about this, if the son or daughter of the president of General Motors can benefit by the kind of work experience or community service kind of program proposed, then the disadvantaged ought to have the opportunity of participating just as well, because there are very strong educational benefits. And that is proposed, as I said earlier, to be expanded to the profitmaking sector as well and there would have to be some adjustments in the kind of payment. An appropriation of $150 million added to the appropriation for work study programs might give a good start to both the incentive portion and then the expanded employment opportunities section of this program.

Let me just tickoff how we try and have comprehensive State planning in some of these other opportunities combined a bit better. First by the designation of an appropriate State agency by the Governor or other State official agency authorized under the State law to make such a designation. Assurances in writing to the Commissioner that comprehensive planning is being carried out or will be carried out in a manner which assures active and direct participation of all parties in the planning process. Third, submission to the Commissioner by the Governor of a plan specifying the administrative mechanism to be used to assure effective coordination of planning under this program with planning of sections 1203, 1101, 1056, titles I, VI, and VII and the Vocational Education Act. Such administrative mechanism may—and I underline the word may—conclude consolidation of this planning under the 1202 commission.

Comprehensive planning could be for the establishment or expansion of public community colleges and some of their institutions in accordance with regulation to provide community college services. Or secondly because we have 50 very different States contracts, grants, or indirect assistance to private nonprofit institutions including tuition equalization programs, or, third, could be used mainly for the establishment of expansion of State student assistance programs.

We think the allotment formula particularly for this section ought to take into consideration the number of the persons in the State's population for 18 to 24 that is the percentage of the national population of that age group. Another age or population category could be selected, but existing enrollments in postsecondary in my opinion should not be. Secondly the ranking of the State with respect to the participation of high school graduates, preference in funding given to those with the lowest participation rates. And third the ranking of the State in accordance with a complex index of State effort in support of postsecondary education in relationship to the State capacity per capita income or some other indicator. Well this has been very rapid, maybe it is clear in my mind but not to some of you I only end by saying what we have attempted to do is to look at all of title IV and some of its side effects because to some extent some of its side effects have been more of concern than some of the direct dollars going to students.

Mr. DELLENBACK. I think Jim chose well and you took the assignment seriously. I personally think this is one of the more provocative and thoughtfully put-together kickoff comments that we have had in any of these particular sessions. We're tempted at this point to start into a discussion in depth of these particular proposals and some of the ideas because one of the things I find so particularly good about it is you haven't just laid out the pros and cons which are very valuable to do and you touched on some of them, but you have indicated those issues on which you feel very strongly. I have a number of questions that I will get to, but maybe before we do that it would be well to see if somebody else wants to either inject their own thinking that we could set up as a counter framework or comment on this.

B. I only saw this outline this morning and I noted down some things that I felt I'd like to take issue with. I am going to leave out any comments about the loan part because I suspect that there are a number of other people around the table who probably have something to say about that. Four or five aspects of this proposal have technical problems which may or may not be easy to remedy, but more importantly I think that the basic focus of it in an important respect is wrong.

Let me start off though with the technical problems that are in it. One thing that A didn't emphasize in his oral remarks was a proposal which was designed to get away from nitpicking need analysis in the basic grant program. And the proposal as it is written here is to essentially designate some kind of income cutoff level and say that anybody below that level should get the full grant, anybody above that level presumably would get nothing. And there is some discussion of what that cutoff level ought to be: $8,000 adjusted income which would be about a $12,000 gross income for a family of four. The problem with this way of going about getting rid of nitpicking need analysis is that it creates a tremendous "notch" in the program. Specifically, it means that if your income is around $12,000 if you earn another dollar and go over the limit, you loose $1,400 worth of benefits under this kind of proposal. And this is the kind of a problem that has plagued a great many other Federal programs, such as the medicaid program, and I think it is universally regarded as one of the bad things about these other programs. One of the advantages of having some kind of family contribution schedule that phases out grants over a range is that it does away with this notch problem; that is, an extra $100 of income causes the recipient to lose, for example in the basic grant program as it is now written, only about $20 from his or her grant. We could do better on that, but clearly a $1,400 notch is too much and I think there is no way to get around having a grant phase-out. And I think the baby was thrown out with the bath water here, what is required is a simpler way of assessing family contributions, a simpler way of getting a need schedule, and I think that can clearly be done.

Secondly, I find something very strange about this proposal given the stated assumptions that were made at the beginning. The way I understand it the maximum basic grant the student could get is limited to his tuition; therefore, if there is no tuition in an institution the student would get no basic grant. And I presume, therefore, a student would not even apply for one because he would know that it would be a waste of time. The proposal then goes on to say that his institution, however, if it has zero tuition, would receive an institutional grant of $1,400 beause it has maintained low tuition. How does anybody know how many potential basic grants recipients there are in an institution with zero tuition when the students won't apply? There is no way to give the institution the $1,400, if students don't apply. The only way I can think of doing it is to go through the IRS or Social Security System to find it out, which seems to be something that turns A off considerably. So I'd raise that as a technical question and I don't mean it to be entirely frivolous. It would apply also if the tuition were very low because many students would just choose not to apply for a basic grant if they were only going to get $100 out of it. I think that is what we are finding out now.

Third, there is a discussion of kind of an institutional State aid program which would build, it says, into an allotment formula incentives of two kinds. The first incentive is, in effect, to award States with high efforts but low capacity and I see some sense to that, and I think I am in favor of it, in principle.

The second aspect of the reward is to reward States in which the percentage of high school graduates going into some form of postsecondary education is below the national average. And I think there is a real problem in building into the reward formulas, rewards for, in effect, poor performance and that is what this proposal says: That if a State has managed to run its high education financing system in such a way as to not attain the objective that we desire (a high percentage of high school graduates going into some form of postsecondary education) it would get more. I think that that is basically wrong and I would turn it around.

A. That is poor phraseology. There would be incentives to States to increase it.

B. OK, alright. I would be in favor of rewards for performance. Next—I'll get to my main point in a second—two other small points.

The formula for institutional aid that is tied in with this basic grant proposal elevates low tuition to a pedestal that is considerably higher than I would elevate it to, although there may be other people present in the room who disagree. The proposal is that, after you have a basic grant program, there should be in addition an institutional grant if a school holds tuition below $1,400. Now I can conceive of a State that has decided that the way it wants to go about increasing access to postsecondary education, would be through a route in which tuitions were not low, but would be relatively high, but in which there is a generous State scholarship program which both compensates low-income students for that high tuition and maybe extends the State scholarship program up into a higher income range.

I personally would find that kind of a system to be a good one, and I see no reason for the Federal Government to try to discourage it. That is if the State is meeting the objective of access through having relatively high tuition but having a large State scholarship program, and if it is succeding then I would not cut such a State and its institutions out of the reward mechanism of the Federal program. But by focusing on tuition rather than on results or on net tuition for students from low-income backgrounds, this proposal really dictates a particular way for a State to go about meeting Federal objectives. And it happens to be a way that I think makes least sense. At any rate, I would think that we would want to be relatively flexible in allowing States to go about meeting Federal objectives in different ways.

The last small point is on the question of whether the private institutions are being particularly advantaged or disadvantaged by the way the existing law is written. The example given was a student who goes to Occidental and gets a full basic grant versus another one who goes to a community college and has his grant cut. I am not sure what A really meant on this. That problem arises entirely by the half-cost limitation in the basic grant formula. The easiest way to get rid of that problem—and I must agree that it is a problem, and I think it is an inequity—the easiest way to get rid of that problem is to do away with the half-cost formula in the basic grant program which is something that I've advocated for a long time. I don't think it necessitates redoing the whole title IV "shebang" to get rid of that problem.

Now let me get to my basic point. The basic point is that while this proposal sets up a kind of a base for Federal student aid in the basic grant program along with a number of programs designed to complement it, the focus of this basic program, the basic grant program, is placed on instructional cost and that is wrong.

The mistake is that the basic part of the program tries to establish equitable treatments of public and private institutions, and in general it is focused on low tuition and establishing proper incentives for it. Things like living costs for students are left for the supplementary programs to take care of. I think that is backwards. It seems to me that the key Federal role in the basic program ought to be to equalize among students who come from different kinds of backgrounds. (The *supplementary* programs should deal with state pricing policies and the public-private question.) The key to equalization and the part of equalization that is least dependent on State policies is living cost. We all know that students have to meet those costs in order to go on to postsecondary education. To focus on tuition instead of living cost in the basic program—I was trying to think of an analogy and the analogy would be to have a program of property tax relief *for the poor* in Kenwood—for the record, Kenwood is a wealthy suburb of Washington. It doesn't do you any good to have property tax relief for the poor in Kenwood because they can't afford to live there. So if your crusade is to have property tax relief in rich suburbs you are fooling yourself and everybody else. I think that to a large extent focusing on the basic program on lowering tuition or various ways of holding down tuition is to create a similar situation. We do know that fundamental fact of life is that students have to somehow pay for their own commutation costs or room, if they are living away. They have to pay for board, there are certain book expenses, personal expenses and so on.

That it seems to me is something that the Federal Government certainly can focus on in the basic grant program and I would like to see it begin to be thought of that way. I will expand on this later if anybody is interested in it. If you take the view that the basic grant program is designed to equalize for living cost, then the next big thing the Federal policy has to worry about is setting up the right incentives for State pricing of instructional costs. And I do not have a proposal in my pocket to do this, and it is an extremely complicated problem. I think what we are all trying to do here is to create a system in which beyond living expenses, which I would have taken care of by a basic grant program, beyond that we want States to be rewarded for taking steps to hold down prices for low-income students, to hold down net tuitions for low-income students, we want States to be rewarded for effort, and we want States to be rewarded, I think, for beginning to set prices for different institutions in a fair and more sensible fashion than the case in the past, that refers both to within the public sector and between the public and private sector. I think we can fruitfully discuss the different ways of doing that, I'm pretty sure we won't come up with a magic formula and that brings me to my last point.

I am not sure that we are ready, that anybody is really ready, to come up with a magic formula for change that will produce an ideal student aid system at this time. And I would caution in the direction of going slow and sticking with what we have got with some minor amendments until we can find out a little bit better what people could agree about in terms of changing the fundamental thrust of these programs.

Mr. DELLENBACK. Except for perhaps making one of the amendments change the BOG basis for instructional cost to living cost.

B. Well, the BOG is now ambiguous, it is half the cost of attendance. If you did away with the half-cost provision actually there is no reason to define what the purpose of the BOG's is, because there is no cost that you'd have to measure to administer the program. That by the way—if I may just interject one other note—the business of having certified instructional cost scares me an awful lot in any proposal especially for the key program in a set of programs. If the basic grant program could be understood to be something that kind of acts in the place of parents in providing living expenses for those whose parents can't provide it, you get out of the whole business of having to look at instructional cost, certifying some but not others. Moreover if you want to tie it to inflation you just tie it to a consumer price index, that is a reasonable way of looking at living costs of students.

If you don't use that route, if you tie basic grants to tuition or actual cost of instruction, you do have to start certifying instructional cost, at some point worrying about what legitimate ones are. And if you want to compensate for inflation you have to compensate to some change in educational prices, and that is a much thornier thing. The fact of the matter is that nobody knows how to derive an educational price index that means anything. I am not saying that is the reason I would get rid of the half-cost provision, but doing so has the fringe benefit of allowing the Federal Government to stay out of that business insofar as the basic entitlement program goes, and I think that that would be good for higher education.

C. Mr. Chairman, as long as this is an off-the-record discussion, I'd like to comment that when I heard your proposal, A, I felt a little bit like I was in Alice in Wonderland or like a colonel of Polish cavalry in 1939 facing the German panzer divisions. Your proposal again sounds like another proposal to keep only the linkages between the Federal Government and the institutions, and have the States out of the action. The States are expected every year to expend hundreds of millions of dollars to keep the postsecondary educational system going. But, when it comes to talking about the second largest financial resource supporting postsecondary education, the Federal Government, there the institutions want a private link. I did recognize that you throw a sop to the States by saying they could get together in a group once a month and say good things about postsecondary education planning or something like that. But nothing substantive, and what I mean by substantive is having a primary role in the decision process as to how the Federal dollars are allocated. It would seem that there is a whole variety of ways of approaching a comprehensive system of postsecondary education financing if the Federal Government would establish a solid relationship between itself and the States, and figure a way of targeting the dollars.

I think everyone agrees that low tuition is fine but even to erase tuition in my own State right now would require 56 million new dollars. Even with that expenditure, there would remain over twice that amount in student costs uncovered. That money has got to come from somewhere. And right now it is coming from students and loans. Low tuition just isn't the panacea its advocates make it out to be.

We must assume that there are limited dollars available to support postsecondary education. If we were assuming unlimited dollars then we could afford to take an approach like that before us. I just don't see how that is a profitable road to go down, even in an informal session. It would seem that we have to think in terms of competing priorities at both the Federal and State levels, and that these competing priorities are surely as worthy as education and maybe in some respects more worthy. So, Mr. Chairman, if I were to make a specific suggestion as to what the Federal Government could do, I would suggest then that in absence of consensus the Federal Government establish the link between State and Federal resources, and see what comes out of that. Then, we might get a consensus in a short period of time. For example, every State has trust funds which represent a huge amount of capital. If the Federal Government were to provide incentives for States to use that capital for educational purposes in the forms of loans of one sort or another, provide the guaranteed interest return, then we can get the GSL squared away. We can provide at least those kinds of dollars in the amount that are needed. If the Federal Government were to encourage States to develop State financing plans and to make suggestions to the Federal Government as to how to really improve access, I think we would be further along.

Mr. BENITEZ. Are you implying that this arrangement with the State and the Federal Government should be along the lines, let us say, of a special revenue sharing where the Federal Government gives a amount of money and then the State distributes it? Or are you implying or recommending that there should be a working relationship between the Federal and the State government whereby a *modus operandi* be worked out jointly concerning how best to strengthen and develop higher education.

C. I think what I would advocate is a variation of two. I think it is proper for the Federal Government to set broad national objectives for example insuring access and that people are treated relatively the same, etc. But I think that within the establishment of those general guidelines then the delivery system ought to be between the State and Federal Governments in order that the Federal dollars and the State dollars work in a complementary rather than in a conflicting fashion.

Mr. **Benitez**. I don't think you are answering my question. My question was, are you thinking of a formula or a way which need not be uniform across the board, but which could be worked out either by regions or by States, but wherein the goals to be achieved are clear and where the participation in the arrangements and the supervision of them would make the Federal Government somewhat of an active partner in this enterprise or not?

C. With the States, yes. An equal partnership.

Mr. **Benitez**. The question I would raise and perhaps would help to work out your proposal is this. Let us think in terms of let's say 1980 and what would be the target objectives concerning such things broadly as tuition, type of assistance, and the individual contribution in this whole package. Because if you don't have some sort of goals or plans or a scheme we will just be going from day today.

A. Formally taxed or——

C. No, I am talking about loans, people in these discussions on financing seem to ignore the reality that some form of the taxing of future incomes of students is going to be a primary way of financing postsecondary education. The States aren't going to provide the dollars and surely the Federal Government isn't going to provide the dollars to make everything free.

Mr. **Dellenback**. Are you talking about the Yale system?

C. No, I am not. I am talking about much more of a public—surely income contingency is a way of achieving equity but I'm talking much more of a subsidy program with the State and Federal Government providing low income protections both for interest and guarantees.

A. I got most of my college education on a GI bill. I have 5 children and I still pay $4 or $5,000 year income tax. Am I paying for my federally supported education?

C. Well, you know I was interested in the report coming out of the GI bill that's now pending in Congress. $1.8 billion to serve 10 percent of the college-going population in giving the GI bill. Now if we wanted to serve 100 percent of the population what would it be another $10 billion for postsecondary education to take the GI approach?

A. That wasn't the question I asked.

C. But I don't think that's the way to go. I don't believe there are the dollars there to go that way to give everybody free money.

Mr. **Dellenback**. Can we shift on to be sure we get the maximum input into this and then we'll come back again to get further counter-reaction. D has been indicating that he would like to take over.

D. Well, I would sort of like to shift the focus of the discussion a bit. In looking at the statistics we have a tendency to think that this is something which affects everybody in the United States. When you look at the figures out of 100 students that start in elementary school only 80 percent graduate at the present time, about 50 percent of them enroll in postsecondary education, and when you get down to the end only about 16 graduate. Many of our colleges are running freshmen kindergartens for students so that they can become marginal freshmen.

I think as a prerequisite to the business of, particularly low-income students, that the secondary system should be responsible for remedial assistance at the secondary level. I think there is a requirement that they operate voluntary remedial programs throughout the country around the year so that children who have these learning deficiencies can have them corrected as they develop. We have several student development programs in our State universities, so we go out and take low-income students and attempt to give them a 6-week cram session and then put them in as college freshmen and they last about one quarter.

One of the problems here too is that we have always quantified our problems in terms of what we are putting into these programs, but nobody knows what we are getting out of them. You don't know of all the millions that have been spent, how many students went how far in school, and I think it is difficult for the Congress as well as the States to talk about the input and not apply some calipers to see what you get out of it. We have to have a system which tells what we get out of the other end of the thing without debating that 3 weeks of college is worth so much money.

I think also that you have to recognize that some schools basically in terms of their enrollment are inefficient. This is a tough problem, but you find in the cost business that some of the smaller schools can't begin to compete on cost because the number of students that they have are so few and the costs are so high that they're out of business. There is no point in trying to set up a program where everyone changes except the schools. This is a very difficult thing, but it gets into the business of aid to the institutions versus aid to the students.

Then, too, no one mentioned the proprietary school thing; their enrollments of perhaps tripled within the last 2 or 3 years. And you have a change in complexion of education right now, several of our State universities are down 4,000 below what they were 3 or 4 years ago. They're desperate for students. They are advertising on television, and in the newspaper. The admissions people are out, in some cases practically using press gang tactics to drag students in the school. And I feel that within the next year or so there may not be too much difference between the profit motive on the one hand and the survival motive on the other hand.

There has been a lot of juggling in the aid game around the country. And there is some cause to believe that in many cases low-income students have been overloaded with guaranteed loans as opposed to the grant-type aid. Traditionally there has been a lot of juggling of statistics—I don't know how good the figures are that you receive from some institutions. I think, and recommended in my letter to Mr. O'Hara, that the committee should get some intense, firsthand information about students who within the last few years have been in a selected sample of proprietary, private, and public supported institutions then you won't have to ask too many people what their opinions are because you can cite results.

I also think that the school should set up a financial aid card on each student, and the adjusted family income should be listed at the bottom under each year that they received help, and that the information should be reported here so that you have a firsthand acquaintanceship of what's taken place.

At the college level, there's a concern on the one hand for empty seats and on the other hand there's a lot of concern for graduate students and everybody in between is a zero, which comes about in part because at the bus station has gotten crowded the degree of scholastic merit has shifted to the graduate school. And the difference between the empty seats and the graduate students is a pretty good sized ball park, and you need to look at it to see who is in there how long they stay and what you are getting for your money.

Mr. **Dellenback**. Thank you.

E. I would like to respond, Mr. Chairman, to particularly A's remarks very briefly, and support what D and others have stated. Some of you that know me previously in the roll of spokesman for the loan program, let me set the record clear. We have a comprehensive student aid program in my State.

I am very much concerned about what A has stated. And although I have the greatest respect for him, I am very, very fearful of the approach that he has recommended this committee take. And I see it, and I may be wrong, but as I see it the proposal that was made here in effect is one that would ask the Federal Government to get into the business of subsidizing and financing institutions. And what I have to say is going to be simplistic because I think it is the precepts, the principles, and the objectives that Congress has to center in on, and then work out the details. I would strongly urge that you bear in mind that we're dealing here with the multiplicity of types and sizes of institutions from a small vocational type environment of 100 students or less, specializing in the training of licensed practical nurses to the larger vocational-type institutions, multipurpose rather than single purpose, to public colleges, institutions of higher education, and the private colleges. Public education at the postsecondary level has been predominately created and supported by the State governments and the private institutions through private enterprise.

And they all come together to serve the needs of this country. I would hate to see the U.S. Congress and the Federal Government get itself into the business of running these institutions. And if you get yourselves into the business of financing the institutions then you are going to run them. I believe in diversity, public and private; diversity into type of curriculum; and diversity in type of student. And I believe that they must be competitive with each other. And they too operate to a large extent in accordance with the law of supply and demand. Our society changes and as it changes our demand changes. And as demand changes, the institutions must change. And there is nothing on Earth that will make them change and meet the needs of society other than that sense of competition and that sense of meeting the public need. And if the Federal Government puts itself in the position of supporting the existence and the continuation of institutions whether it be through carte blanche appropriation of money or surreptitious type of appropriation of funds so called as student aid, I think you are missing the boat and you are getting yourselves into a funnel that no amount of money in this Nation or in the Federal Treasury could afford to support. In my opinion, the best way to keep costs down to the student is to leave it as it is, so that the administrators know that they must compete with each other, that they must keep their budgets down and keep their overhead down. And if an institution goes out of existance because of a lack of demand or excessive cost then so be it. The State governments appropriate substantial funds to the administration of the State schools.

If you get into that business then Washington will run those schools, and I don't want that as a citizen and as a taxpayer, without regard to my job. Now I think this proposition must be faced by the committee, because whether you are going to support institutions or let institutions compete, being administered at the local level, financed at the local level and compete with each other and choose as your role that of supporting students who need help in order to attend a postsecondary institution.

Now shifting to that point of view, which I would urge you to make a decision in that respect—picking up with where C left off—Congress in my humble opinion has been remiss for up until recent times in not recognizing the role of the States in providing financial aid for students. I admit that when Congress initiated the basic Federal student aid program you had no choice but to allocate those funds and administer those funds through the institutions, because States by and large did not have programs nor agencies to administer Federal programs. The day and time has changed. States have moved rapidly and are still moving rapidly toward establishing central State agencies or multiple in some States, and in providing funds for student aid. The Phillips task force and the efforts in the 1972 amendments the State incentive grant program and those things to me reflect that Congress and the Federal Government is now looking closely at the role States are playing in administering student aid. I encourage you to do what B has suggested, that is maintain the somewhat current set of laws with certain modifications.

The modifications that I would urge you to consider very simply stated are basically as follows: Provide provisions whatever they may be for administrational purpose in the Federal law that would further encourage the establishment of a State agency in every State for the purpose of administering programs; second, maintain the concept of the basic grant program and attempt through every means possible to find a way to administer that program through State agencies or at least coordinate very closely that program with State agencies; third, substantially reduce if not do away with in its entirety the SEOG program and utilize those funds through the rapid expansion and development of the State incentive grant type of program which will multiply additional State dollars for student aid.

Conceptually, I would work not off of a cost of instruction basis, but a cost of education basis with the basic grant program being a program of entitlement in nature basically following the theory of absolute need of the individual students with the States being given maximum flexibility in the administration of the State incentive grant program in which event I think most States would administer that program more in terms of relative need which would extend that program into grant aid into the middle-income families.

I would urge you to maintain at least for a number of years in the future the college work study program as an institutionally based program with one caveat—I'm going to mention administrative offices shortly. And at that point, and when we reach that point in our growth and development, I believe that a more comprehensive work study program involving private employment rather than institutional employment could be developed. Let me come back to that.

So I have mentioned BOG, basic grant program, federally funded, State administered if possible or at least coordinated; the movement of the SEOG funds into a State incentive grant program; the maintenance of work study as an institutional based program which brings us to a loan program. Loans are essential in my way of thinking in meeting the needs of students. And I don't think any of us know the solution to this problem as to who should put up the money. I don't know of any one type of lender should be exclusively required to put it up whether it be the Federal Government per se or private lenders or State lenders. I think in that respect we must maintain the capability of different types of lenders making loans, private lenders, State agency lenders.

And as regards the NDSL type program, the need for funds, capital Federal funds, in that program depends upon the overall success in the GSL program. I would like to see the GSL type program perfected, improved, and expanded utilizing both State funds for loan purposes and private lender funds for loan purposes, if this can be accomplished. And to the extent that it can be accomplished then the need for capital contributions to the NDSL fund would be limited.

In the meantime, however, being realistic, knowing that there are students that can't get loans presently under the other program, there would be a continuing need for NDSL capital funds to some level for some period of time.

Now as to the mechanics of administration, and I will conclude my remarks, Mr. Chairman, we sit in our ivory towers whether they be up here or in Minneapolis or somewhere else, but the crux of the matter is that it's the student and the parent at the secondary level in the small hometown community who needs the help. We've got to simplify these programs. I've suggested a way to simplify the forms and the mechanics and administer these, I urge upon you, through a State agency. And then provide hopefully in the incentive of Federal law or perhaps with some administrative funds—I don't need them, my State has been good to me—enable that State agency to carry itself down to the grassroots level in that State and carry those programs to the students and to the parents at the grassroot level. A community, 5,000 population 10,000 whatever it may be, a student there may be thinking about going to 4 or 5 institutions in every direction of the compass many miles away. They need the service at grassroots level and the initiation in this post-secondary financing mechanism. Now, Mr. Chairman, I'm doing that. I've got six field office operations gearing up right now for serving students and parents at the hometown regional level, and I know it will work, and it is what's needed. Parents are desperate for information, the student is desperate and they need to know at the eighth and ninth grade and on up, and motivated at that level that there is a way financially for them to pursue postsecondary education if they have two qualifications.

One is the proper motivation and secondly the basic academic ability. So that through those grades, 9 to 12 they can be motivated to learn that math, history, and what's required. And working with your high school counselor or State agency person, working with the counsel or with students. Now we are doing that today, Mr. Chairman.

I think I've gotten my point across. I would like to say this, I don't believe that there is any State in the Union that has accomplished as much as we have in the last 3 years. We have increased our State appropriations for student aid by 420 percent in the last 3 years. We have established a staff that is capable of administering the guaranteed loan program and every State aid program that we have. We administer all of our programs, with the exception of a minor program, over in the institutional system now and they called me a month ago asking me if we want to take it over. Now we have the capability computer and personnel wise and the budget to take basic grant data for a given student, put that on our file. I have in this book every budget of every institution in my State. That is all in our records. Based on the budget with the basic grant eligibility, we process his State tuition grant. If he is a private college student, we then process his State incentive grant under the new program based on remaining need and send the notices to the school, and so forth. And by administering the guaranteed loan program we are going to be able within 12 months to tie that program into the total student package and monitor this indebtedness. The only missing link is having the school report back to us what aid they provide the student to make sure the student is not overfunded or getting too much loan indebtedness. Now we took your SSIG program this year and we triple funded it.

We appropriated three times the amount of State money that was allocated Federal money. Two of my neighboring States are calling on us now for our rules, regulations, and forms. I know they are going to move and I am so upset when I see the House appropriation that came out 2 weeks ago.

Mr. DELLENBACK. Even more than just the appropriation, is the fact that when there was an effort to make it on the floor to increase it——

E. I know you did sir.

Mr. DELLENBACK. We lost. We join you in that frustration. May I ask just a couple of clarifying things, E. When you talk about State commissions or agencies, you were saying something about encouraging State agencies for operation of programs. Would you have anything to say about the 1202 Commission to which are planning is opposed to operating; are these desirable? Are you finding these helpful or not so helpful?

E. There is a tremendous keg of nails there as to whether the whole concept of the 1202 Commission is liked or disliked at the local level and then by whom.

Mr. DELLENBACK. I recognize that problem yet——

E. I don't, it doesn't bother me at all. I welcome for our purposes financing of students. I welcome the 1202 Commission.

Mr. **Dellenback**. We've found, somewhat to our surprise, that the number of States which have leaped into the breach were about 40 something like this, something in this area, which was many more than we expected would be on the scene. I wondered if your comment, which I read as going beyond the 1202 planning into operating also embraced the idea that the 1202 Commission were good commissions.

E. For our purposes, financing of students, which I separate exclusively from the area of the educational student's curriculum, buildings, and faculty. I welcome the 1202 Commission. Now the institutions of education have their own thoughts.

Mr. **Dellenback**. May I ask one other. When you were talking about the basic grant program you used a couple of words and I wasn't sure whether you were agreeing with what B had said earlier when you talked about essentially working off the cost of—I wasn't sure how you used instructional versus educational versus cost of living——

E. Cost of education.

Mr. **Dellenback**. You used educational and instructional and I wondered what you were giving to us as your input.

E. In the broader sense, I am including cost of tuition, room, and board and total student budget concept.

Mr. **Dellenback**. You think that should be the base——

E. I think it should be considered, I think it would be closing our eyes if we'd look only to cost of instruction. It would be closing our eyes to the practicality of the situation. Because the cost to an individual student of attending an institution varies greatly from the type of institution and curriculum that does follow.

Mr. **Dellenback**. You would see us use a broader base.

E. Yes.

C. May I comment on your question about 1202's?

Mr. **Dellenback**. Surely, please do.

C. You know it would seem that 1202's might have worked or might work in the future if there were an operating component. It would seem, as I look at the 1202's as they evolve, that they really are not able to do much until they become operating and maybe that was by design, maybe that was part of the strategy of those who did not want State involvement or a State role in higher education planning to cut out the operation.

Mr. **Dellenback**. It was advertant that they were planning commissions instead of operating commissions.

C. OK. And Mr. Chairman may I comment, as I was listening to FF I couldn't help to think of the CETA program which might be an analogue to the problem that your committee is facing now. The CETA program is kind of a novel experiment that is going on across the land now in manpower programing, and if the Department of Labor ever gets with the program it might work. And it would seem that the key to the possible success of that is recognition that local officials, local elected officials, State elected officials really can do their job and that bureaucrats and nonelected people don't have a corner on the truth. And it would seem that if your committee were to take a look at some of the background of the CETA dialog and suggest that kind of approach for postsecondary education there might be some fruit in that. I don't know of any college president that runs for office. I know of no system chancellor who runs for public office. And it would seem then something as important as postsecondary education or education generally, the Federal Government couldn't be too far wrong in considering a relationship between States which are governed by elected officials and the Federal Government which are governed by elected officials.

Mr. **Dellenback.** You are not suggesting that we have college presidents run for office?

C. If they want to play the role they want to play now, maybe they ought to run for office.

Mr. **Benitez.** Which office?

C. The office they hold. I mean if they want a separate link, if they want the State to come forth with millions and millions of dollars, the Federal Government with millions and millions of dollars, maybe there should be some public——

E. May I add one further comment. I think I have been simplistic, so I will remain that way. And perhaps it is the wrong way to be, but it gives me a great deal of—what is it, what is the word—pleasure, self assurance, or what not when I stand before my State appropriations committee seeking money to help students purchase this commodity of postsecondary education. I am able to say that I am not in the business of education, I have no buildings, no faculty, no curriculum and what not. I am in the business of helping our State citizens purchase the commodity, and I am alluding now to the distinction I referred to earlier. And I think we must see it this way. The institutions are in business for the sale of a commodity. As I see it, we are in the business of financing that purchase, and in order to keep that commodity to the lowest possible rate, let it be and remain competitive. And let the States support it and finance it. And be awfully careful about getting into that funnel, some of you point at institutional finance.

Mr. **Dellenback.** Would you have no institutional financing?

E. No; I have none—not at all. Programs in aiding institutions and financing the construction of buildings, low-interest loans, things of this type I think are fine. But I don't believe you should get into the type of proposal that A gave to you. And if you should go that way with this wrong Federal role and student environment concept with the institution, then I hate to say it gentlemen, but you might just kiss these State programs goodbye.

D. I might mention one thing out in our State that would be of interest, you mentioned the planning commissions. One of the things that was most difficult when our board of regents was established was getting a common accountability system among all our State supported universities and there was about a 3-year tussle on that to force everybody into a standard accounting system, and of course, when they got into a standard accounting system there were all sorts of skeletons that began to fall out of closets around the State. And prior to that time it had been a business where the institutions went directly to the legislature. And, with no common programed accounting, the systems concealed the real state of affairs.

In respect to student aid, I don't know how it is in other States but there is not a very good grip on student aid problem among regents in many States. They deal in very large sums of money, and their primary contacts are with college presidents and with members of the finance committees in the legislature.

When we initiated our grant program, it started off with an adjusted income of about $10,000, it has been moved up to $15,000 this year. Strangely enough, one thing that happened this year in the entitlement program was $2 million that wasn't used, and it was there for the asking. This year, right now they would normally have about 60,000 applications for grants, and at the moment they have only received 28,000, which is difficult to put a handle on. It has been suggested that in our fixation on incomes the people that we looked at 3 and 4 years who were in the $8,000 brackets may be up to $10,000 or $11,000 now by virtue of inflation, I don't think we really know yet, but that is something that bares scrutiny.

Mr. **Dellenback**. We still have some time to go and I want to get back to further discussions, but I wanted to make sure that everybody has a change to make input also. Is there something at this stage that you have been waiting for the opportunity to give us?

F. Maybe I am the only other one, but I have to say that I do support the basic thrust of A's paper. As I listened to the various objections that were raised, I can understand where some of them were coming from. I don't have the particular kind of experience that you do in working perhaps in State programs or institutional based student aid offices. My perspective is of some one who just has to answer all those telephone calls from people who are really confused every day. And that experience is what leads me to object to some of the objections that were raised. Perhaps the best for me to try and lay that out is just to throw back some general questions explaining key areas in which I am confused about what was said in response to the paper.

To begin with I agree that it should not be an appropriate Federal role to dictate to a State any particular strategy for achieving some national policy objective such as access, but I do think it is appropriate to encourage States to undertake activities which seem to have some evidence of achieving those objectives. I think that there is a good deal of evidence to support the argument that keeping tuitions down does help access substantially. I think the figures in the National Commission report may have been a little bit low, but it may be a greater enrollment decline than they suggested when tuitions go up. It has certainly been our experience in talking with students that they find it somewhat easier to perhaps get the other jobs, find supplemental forms of aid if their tuition is cut down. It has also been our experience that student financial aid programs never seem to be legislated in timely fashion when tuitions go up, because that time lag means is always some group of students who pretty much get the shaft. For that reason, I guess, the basic thrust of that original paper was that there should be incentives given to holding tuitions down. I would support that.

Surely there are strategies that do accomplish substantial access something like vastly expanded State grant programs with broader eligibility requirements that seems perfectly acceptable to me. I am really opposed to loans. I don't particularly even understand the loan concept when it's talked about as a form of tax on future income. I don't understand why that is being viewed as such a novel approach.

I thought that, in fact, the public postsecondary sector had been supported traditionally through what essentially amounted to taxation on future income because it was supported through tax revenues and presumably, if the argument still holds that having a college degree yields greater tax revenues on a State and Federal level, then that seems to be what has been happening all along. If that is not working, I would suggest that there may be problems in a regressive tax structure.

I would not particularly like to see the educational enterprise get into the business of trying to redistribute income. I really think that income should be redistributed in this country. I am not sure that that is the place to go about trying to do it. And further problems with the loan idea, I guess it sort of goes along with that business of redistributing income, that's that I don't particularly understand why some students because of their family's income level should be forced to start out under a loan burden after graduation that other students don't because their families were very wealthy or because they were very poor. That doesn't seem to me to be particularly equitable. It is rather like visiting the sins of the parents on to the next generation.

Students do not seem to understand loans very well, perhaps if there were better exit interviews before students left their institutions as well as a much more careful briefing before they took out a loan obligation, there wouldn't be as much of a problem as there is now. It is very distressing to receive phone calls from hysterical people who have not understood when their loan obligation is supposed to begin being repaid or who were involved in some program where they were literally induced into studying some particular field because a manpower projection said it would be important and they could get certain portions of their loan forgiven by going into the field and can demonstrate all kinds of good faith efforts to find such a job and haven't been able to because the manpower predictions were wrong and had changed from the time they started. Perhaps the point there is just that there never should again be loan programs that have any provisions like that for cancellation until people can be a little more certain about the validity of those kinds of projections.

I do believe that State agencies, planning commissions, and what not should be perhaps playing a greater role than the basic thrust of Federal policy would seem to be allowing them at this point. At the same time, I am a little cynical about that. I tend to get a little cynical, for instance, talking about the 1202 Commission. I haven't seen the total report on how these commissions are composed right now, but I understand that there was one State where the legislature announced that it fit the requirements for being a broadly representative group within a State and became the 1202 Commission, and I think that is outrageous. I don't think that that is a particularly representative way to approach it never mind a consumer oriented fashion, and I don't think that there is any way that students are being represented as consumers right now.

Along that line, I think that you have to have not only a better delivery system, but much better information dissemination systems because people don't know where to go for help right now. I think there also has to be developed some kind of grievance or appeals procedures so that students who have been rejected for certain forms of aid cannot just ask for a recompute based on the same information but that perhaps a somewhat better way of explaining what particular *circumstances there were* that made them think that their original application was justified. I think that there should be encouragement given for campus and State based financial resources committees of planning groups in which there is considerable student representation so that students themselves would have a better chance to learn what the problems were in dividing student financial aid. It has an input as consumer and that would include their parents too, as to how allocations are made on an institutional or a State basis.

I guess in closing what I have to say is that to me the only approach is to substantially increase the access. That I can understand that makes some kind of sense because it's not a terribly bureaucratic process. It seems to me to ease some of the real discrimination that I think exists on the basis of place of birth or residency and it would have the effect of actually trying to accomplish the national policy objective which I think has been somewhat accomplished on the elementary and secondary levels, that is to provide substantial support in incentives to States for holding tuitions down with the development of very carefully targeted supplemental maintenance aid for those students who could not afford to go to school even in a free tuition system such as in the CUNY system where they do have a good size supplemental budget for that kind of a system. And particular for the Federal Government through such programs as the State scholarship incentive grant program, and perhaps by tieing cost-of-instruction payments very closely to levels of enrollment in a State, which I think would have the effect of keeping tuitions down should be the Federal role.

Mr. DELLENBACK. Thank you.

You know Shakespeare taught us or at least indicated that Brutus had learned that it wasn't wise to speak first, that Mark Anthony came out on top because he got the final speech, well you are not really the final speech because——

A. No; I hope I get a chance to make a couple comments.

Mr. DELLENBACK. Brutus was given no rebuttal.

G. I ordinarily repeat myself after 2 minutes, but maybe I will take no more than 5 minutes in the interest of brevity and more exchange of ideas. I appreciate very much being able to sit in on this for selfish reasons because it's educational for me. I sit here thinking of other committees that I follow on an equal basis in terms of time and so on, and I'm thinking right now of Ways and Means where they are involved in general tax reform and they want to close loopholes and that sort of thing for the very wealthy. They are not trying to raise money, but when they talk about raising money they know that just a simple adjustment in the rate for all the people we're talking about here—middle-income America—that's where the billions of dollars flow into the Treasury by which we operate this Government. And one member of the Ways and Means at a meeting a couple of weeks ago observed that the secret weapon of America is that we don't handle things sensibly, when we have problems we solve them on a decentralized basis, and thank God we are not trying to settle the tax matters of this Nation solely here in Washington. There are lots of people working on it.

Of course the same thing is true in postsecondary education. I guess what I would observe is that we need to preserve this diverse way of doing things, the flexibility that we have with the States and their great efforts in terms of numbers of people in programs and dollars. The institutions themselves in a student aid area putting in $300 million or more annually and the Federal Government with its share.

And then the institutions themselves, not just the independents but the publics as well who are now into it with about 22 percent of the total raise $2 billion in the private sector for the support of the traditional higher education institutions. We have lots of good people with many good ideas raising enormous amounts of money collectively in this enterprise. I guess I would, looking at it that way, argue for sort of a status quo coming off the Education Amendments of 1972, they really haven't had time to see how they will work. They haven't indeed been fully implemented yet. I am thinking particularly of the BOG program not to mention State planning commissions and State student incentive grant and so on. The Commission on the Financing of Post-Secondary Education was severely handicapped, and really came out with a report on traditional higher education and not postsecondary education simply because there wasn't an opportunity, and the time between passage and the work of the Commission to even get a handle on what's in the proprietary sector.

Mr. Dellenback. Plus finding a woeful lack of statistics and information.

G. That's right.

Mr. Dellenback. It just isn't there.

G. And in this whole diverse way of coming at directing and financially supporting higher education, I think each of these units has to be given a great amount of freedom in terms of doing its own thing. I'm thinking not just of the States and the Federal Government, but the institutions themselves. I was struck yesterday reading for the first time the latest issue of Time Magazine where they identified the 200 future leaders of—some of them—of this country, and I was struck by how many of them came from one institution. I happen to think that they missed a few hundred others who came out of vocational technical schools and community colleges, and a few other places rather than primarily private research-oriented universities that were heavily represented. But somewhere in this, the institutions and their independence to make mistakes as well as great gains must be preserved.

Mr. Benitez. Let me ask you a question.

G. Yes, sir.

Mr. Benitez. Since all costs are going up and those of education are not going down, but are going up, where do you anticipate that institutions of higher education are going to find the funds to take care of their additional cost, if they are going to maintain the quality of education that we want and even improve upon it.

G. You are going to find it among all these sources that I have mentioned. They are going to have to find more money in the Federal Government, the States are going to do more, they are going to have to raise more in their private sector, and they are going to have to charge more. I like the idea of maintaining low tuitions, our association has come out in support of that we suggest if you increase tuitions it's illusory to think this is the way to help the problems in the independent sector. And the parents—those who are able that is—it is going to have to come from all these sources to the extent we want to maintain a solid system of postsecondary education in this country. I think the institutions have taken out the fat that was there in recent years, and I think to expect them to take out any more, much more time, in another year or two is going to take something out of the quality.

Mr. BENITEZ. Considering the Federal Government as such, what role if any additionally should the Federal Government play in dealing with this particular issue?

G. Well, I think you're headed in the right direction on the student aid both in the administration as well as the Congress in terms of increasing support there, but I do think that some type of institutional aid has to be forthcoming if we want our institutions to be solid and strong and continue to grow. I share the gentleman's observations across from me in terms of the caveats there, and I don't think this ought to amount to very much as a percentage of the total operations.

But the institutions do need support and I think particularly the top 100 who are getting it right now, I mean many independent institutions are already receiving more than half of their funds from the Federal Government. And they do have a problem in terms of how much independence they maintain in receiving that much support. But we need more than a strong top 100, we need a strong 2,000 or whatever it is we're working with. I think these institutions have taken out pretty much of the fat already. I think one of the observations here sir——

Mr. QUIE. Before you go, I want to ask a couple of questions that——

G. I just want to make one other general observation and back again to Ways and Means and when we want to generate the billions here. Something has got to be done at the Federal level in terms of opening up the programs we now have to the people in higher incomes. I am not prepared to say what it ought to be except I know it needs to be much higher than it is now by family income levels because these are the people who are paying the bills and there ought to be something there for them to help offset their educational investments as well. I think this is a practical, political matter. Middle income people must have some opportunity to participate in these programs which they are supporting. I think in terms of just generating the national support, we must look at middle-income people.

Mr. QUIE. What's your reaction to the proposals that a cost of education allowance be added to the student aid financial institution if it keeps its tuition below a certain level?

G. I don't think I would be for institutional aid tied to any kind of commitment unless we are talking about half of their operating budget or some figure that no one has even contemplated, but if all we are talking about, maybe 5 percent or some small percentage, then if it could be delivered without strings, I think that's the way to do it.

Mr. QUIE. What would be the impact on the independent private colleges if the Federal Government could provide the assistance to the low-tuition college, meaning they would get State tax money and Federal tax money and the independent colleges wouldn't get anything out of it, as I understand?

G. It is my personal view it would be unwise, I think as a previous speaker said, "We have public and we have private, but we are in service to the public together." And I think whatever is done for institutions ought to be done without regard to whether they are independent or public.

Mr. QUIE. What would your reaction be if we did provide assistance to the institution one way or the other without, even without the strings attached, but we did tie the strings to it that any State that participated in it would also have to make some kind of a program available to the independent colleges whether it would be directly or through student assistance?

G. Well, I would like that very much. And a number of people have already testified before this committee to that effect. I think that anywhere the Federal Government can get tied into the States together, whether it's in student aid or institutional support and let the States run it, is the right route. I like the way you've done it with the State student incentive grant program. I think running the BOG's program that way would strengthen it. I like the idea that was suggested in the paper of State review panels on the student aid programs so the information is there in the States when they use their State scholarship programs. And I think if moneys were provided to the States for institutional aid that could also be matched and distributed there. And in the historic way, Congress has handled all aid to education that it be open to public or private or not be restricted to one or the other.

If the Federal Government is putting out the matching money, States would be interested in relating to it in the way they have with the State student incentive grant program. Institutions in the States could be aided through State commissions of some sort. In the student aid area I would like again personally very much to see some sort of portability concept built into student aid. I don't think many students would take the money and go very far. I think their patterns would stay essentially the same and would be dependent upon an institution near home, but I think with most State programs restricted to in-State residents that could be broken down and students could travel even if it was only 35 miles but to another State to get the program they wanted. It would tend to free up what looks to me at least to be sort of a locked-in provincial or parochial way of distributing student assistance.

Mr. QUIE. It has worked well between Minnesota and Wisconsin, with their reciprocity.

Mr. DELLENBACK. Let me follow down one aspect of one thing you said. You'd like to see the basic grant program operated on this sort of basis. What are you suggesting here?

G. Well, that students could actually apply to the States in the way that they have applied for the State scholarship program and now they're proposed in place something like 46 of the States and territories. The information would then be in one place, and when States make awards they would have some idea whether a student already has the BOG. This gets around the half-cost thing that you were talking about earlier, and allows some matching up. And if you left out the supplemental BOG program and lump that in there and left that for the institutions, that would provide some flexibility in terms of unique financial circumstances.

Mr. Dellenback. Are you suggesting that the States actually administer the BOG program, in a way that is not being done?

G. Yes.

Mr. Dellenback. Would there be a variation in the way it would be administered or would they be just the agency?

G. I don't think they would just be the agency, it would have to be a uniform program as it is now. It would be just so much easier for the students writing in for application forms. Writing for one that would apply probably both to the BOG program, the State grant program or indeed others. And the allocations would be made for distribution pretty much the way the other student aid programs are. I see it also as stimulating a lot of interest in the BOG program in terms of getting added appropriation, greater support down the road.

Mr. Dellenback. One of the things that was basically touched on first by A was the simplification of forms. It is part of what you now allude to because if we can reach in the direction of having one single application or single filling out of information from which a State, from which the Federal Government, from which private lending institutions if there are to be loans, can extract with information they need. The student and family don't have to do this over and over again.

G. And then the panel review of the requests would be done by the same people in the State. They don't disappear when the process is over and you can't find them and your recourse then is to 400 Maryland Avenue. You have recourse to the same people you are dealing with on an annual basis.

Mr. Quie. This is my last question. You indicated that you'd like to see BOG's continue for awhile. Now the half of cost was really put in there because of the interest of private institutions, what is your association's view of the half-cost now that has been in operation for awhile?

G. Well, I think the view would be the same, although the half-cost limitation has not taken effect as yet so there would be no way of knowing whether it meant anything in terms of what the students did with it in applying or receiving one of the awards. I don't believe it is projected even through 1975, 1976 until the program gets sufficiently large so that half-cost factor would make some difference. I suppose we would need to wait. My theory is that it will be like the current GI bill which is a pure entitlement without need factor and where this year $1,980 on a 9-month year is available for education.

About 15 percent of those students wind up in independent institutions. I think if the BOG program were operating the same way, and it's of course at a lower level now, probably the same distribution would result. The independents have about 30 percent of the degree credit students right now, and I think would not share on an equitable basis, if that is equity, without that half-cost factor. And also if the States are also in with their grants, a student getting a full $1,400 or $1,600 or whatever the limit would be, his need would already be met and the State program would not be open to him. I like the idea of both being involved rather than a student being solely related to either a State or a Federal program.

A. A couple comments not to be defensive at all but hopefully to shed a bit more light. One, I was very aware of State concerns, but I was also aware at the Dallas meeting of institutional financial aid people recommendation No. 20 was not to have State agencies run campus-based programs and No. 2 was not to have a single State application for campus-based programs. Thus my comments are in line with some thousands of campus financial aid people out there but not with the 50 of you. In our paper we put a lot of emphasis on State planning, working together, and incentives. Another point if it seemed I was casting loans aside without any sort of concern, I would encourage you possibly to look at the bill that Mr. Smith introduced in the 93d Congress H.R. 1188 on NDSL and the repayment there through using the tax system and the like. That may be some sort of compromise. I pass on to another point that I think even my friend B. said gave him fear—I didn't think anything gave you fear—the matter of certified instructional cost. I only say very honestly that all of these public institutions have their costs on the record for State agencies and private ones regularly print them in college board publications and so forth.

So I think there are kind of certified instructional cost can be done without the specter of Terrell Bell running all institutions in the United States. I just would clarify that matter of the $8,000 family income, we picked that up particularly with the idea that the first additional student in college would have a $1,500 exemption and the second would have another thousand dollar exemption. So particularly with the middle income $12,000 with two or three in college, there would be some raising of it.

A. Lastly, Mr. Quie, because earlier we talked about the student at Occidental College in the suburbs of Los Angeles and he can get full BOG's, and the Los Angeles Community College student down the road gets little or no BOG. As B very accurately pointed out one of the things—and G just responded—is this matter of one-half-cost. If that and the administratively placed maximum of a budget—I believe that currently the dependent student can only have $900 and the independent student $1,100. If those were waived and the one-half cost then I believe the student in the Los Angeles Public Community College that we have documented figures that commuting student costs him about $1,800, the independent student about $2,500 even though his tuition is zero.

If those two things were put into effect, removing the one-half cost and raising those budget figures to realistic numbers, then I think there is a possibility. If working, as G says a couple more years with the BOG's, I end up by saying that I remember reading the Truman Commission report in 1947 on higher education and getting quite excited that we are moving toward wider access. Mr. Eisenhower had a commission in the 1950's. I think what we are really saying is that maybe some of the experience that we had with the World War II GI bill can be expanded. And I don't know, I have heard a number of comments around the table, but there was an institutional grant that went with the World War II GI bill and I have heard——

G. It was tuition.

A. All right. But it went from the Federal Government to the institution as a grant for tuition. And I don't remember any studies or any evidence that Washington started to manage institutions around the country. And I think if we get education into the kind of priorities that most of us would see with a wider public—it is possible. And I am disappointed, A, that nobody has asked me, but since I worked it all out—I thought somebody was for sure going to ask me—how much is it going to cost.

Mr. DELLENBACK. I will ask you if you need a forum.

A. It appears that there are about 2.5 million students currently—around that figure of $8,000 with the caveats I put on it—and at $1,400, if my arithmetic is correct, this is something in the neighborhood of $3.5 billion. And I only end up by saying as we see the kind of money currently going to college students with the GI bill, and that's starting to drop off in the projections, somewhere on that level is currently going to postsecondary education student, only it happens to be through the funnel of the Veterans' Administration. I think a considerable portion of a program something like this could be funded.

B. I want to comment on two things. On the BOG's as you recall I argued that its intent ought to be to provide noninstructional expenses for a student, and I believe Congressman Dellenback asked E whether he would go along with that or what he might do and the response was that all costs of attendance ought to be taken into account. Let me get at that directly. If you agree that noninstructional costs are relevant costs for the basic grant program, then the question is should we add something on top of that for tuition and related expenses?

The problem I have with giving more to a student who pays higher tuition is the following, and is, I think, the most important consideration for the committee to have and it has to do with the role of States: if you have two States one of which basically is very ungenerous to higher education and has very high tuitions in its public institutions and another one that is very generous and has zero tuition in all public institutions—I guess there are examples for both of these—you'd face the prospect of the Federal Government giving more money to students who attend the institutions in the less generous State. And it seems to me that over time you'd end up with a lot of less generous States. That is there would be great reasons for States to not continue to provide such generous institutional subsidies and to get into the business of letting Uncle Sam pay for it instead of doing it themselves. If you accept the logic of this, of why one could leave tuition out of the basic grant formulation, it's relevant then to ask what are you doing for private institutions because clearly a $1,400 grant which might approximate noninstructional cost isn't going to help a student to go to a school that charges $2,000 on top of that. That is a legitimate concern, but I think the basic grant program is the wrong place to look for how to help private institutions for a number of reasons. One, there is no clear way to do it well. Secondly, the basic grant program necessarily, even if it's expanded into the middle-income range, is going to help only a fraction of students. Most of the kids who go to private institutions are above the basic grant range. And the basic problem of private institutions have to do with how States have decided to spend their higher education subsidies. Most States have chosen to do it by subsidizing public institutions and not private ones.

So the only way to get at the problem of private institutions, it seems to me, is to get at the problem of how States finance higher education and not try to work through some small segment of the student body by giving them little extras in student aid.

I am getting close to the end of my theory on this because I don't know the exact way the Federal Government ought to insist that States treat private institutions more evenhandedly because I think that's what we are talking about or ought to be. One way obviously would be to mandate certain evenhanded treatment. I think that is what Congressman Quie was getting at in one of his questions. I would go for it in general, that is to say to insist that before a State participates in any of these programs it must show that it is treating the private sector in some fairly evenhanded way. But I would not want to have to write the clause, nor would I want to have to administer the provision. It is mighty difficult to describe something that would encompass for example a large State scholarship program that was open to students who go to private institutions versus another State that prefers to do it by giving Bundy grants which reward private institutions for graduating people versus a third State which gives some kind of a subsidy-equivalent to students who go to private institutions to be equivalent to what they would have gotten had they gone to public institutions. All these are methods that seem to me to be sensible and to be the kind of thing that we ought to want to accept, but I can't think of any way of encompassing all of them. Maybe we can get close to devising such a thing.

Let me step back from that for a second and talk about loans: there have been some attacks on loans and then some pleas for loans here. And I think some of them missed the point. It seems to me that most people, except the wildest enthusiasts for loans, recognize that it's not a substitute for all the other things we've been talking about. There is a wide group of people who agree that loans are supplementary to a lot of the other student aid and/or institutional aid programs we have. The specific roles are, it seems to me, in the following categories: One, most people would agree there ought to be a certain amount of student self-help; that is we wouldn't design these grant programs so that a student would get all his costs paid for. I think most people believe in self-help and many of them are thinking of students working part time, but it is clear that in some cases students can't or shouldn't work part time. Therefore, there ought to be provisions for such students to take loans as a way of providing self-help. So I think in one category then the role of loans is to provide a facility for students who can not help themselves in any other way.

Second, any kind of grant program at the State or Federal level that is going to try to target subsidies on students is going to involve some assessment of parental contributions. These calculations are necessarily going to be inexact and, second of all, there's never going to be a way of mandating that a parent pay what that schedule says he ought to pay. In those cases, a student ought to be able to replace his parental contribution by a loan if he can't talk his parent into providing the money.

Moreover, since we should be trying to keep parental contribution schedules simple, in those cases where we left out something—where there is a brother-in-law's aunt who the family is supporting who doesn't get into the form—we ought to have a way that a student can supplement his own resources where the family can't because we miss some condition of real parental ability to pay.

Finally, although everyone here seems to be agreeing that in the good old days of the GI bill, institutions were given tuition grants, I can't foresee today, when a wide variety of students who go to high cost private institutions the total cost of which might approach $5,000 now per student, that the Federal Government or the State government or the two combined is going to put up $5,000 on behalf of such students. Under those circumstances certainly the possibility of students helping finance themselves in high cost institutions through borrowing ought to be allowable and encouraged unless we come to the day where those places don't cost so much. Now, it seems to me that although these are rationales for loans, they don't say this is the solution to all our problems. They don't necessarily involve unsupportable kinds of debts, I don't think. And the question I would raise is whether the existing programs really are designed to get at these considerations and the answer I would have to give is "No." Neither of them really get at these kinds of problems, and certainly some rethinking of loans is universally regarded as necessary. And I would suggest that the first place to start is to try to figure out what it is you are trying to do with the loan programs and then design features that will correspond to that. I think if we did that neither the NDSL nor the GSL program would look like it does now.

Mr. **Dellenback.** I think that your comments, B, about the rationale behind all this is modified or is added to or supplemented by what you said about their not being limitless because you do see problems attached to loans which get to be too large. You are just talking about the need for loan in some supervised limited reasonable amount so that you don't get the horrible example of the husband and wife both have loans to the very maximum when they were in school and now have this hanging over their head upon completion.

Well, A, I think the initial remark that I made about your paper having been stimulating has been borne out by the comments. We are grateful to each one of you, I think what you made is a significant contribution. You've made a real contribution, thanks to each one of you from all the members of the subcommittee for your contributions and for having been with us. Thank you very much.

TITLE IV OF THE HIGHER EDUCATION ACT

(A Technical Analysis of Six Student Financial Aid Programs, August 1974. By the Washington office of College Entrance Examination Board)

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LOIS RICE, *Vice President.*
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The purpose of this analysis is to identify for Congress and the educational community the ambiguities, discrepancies and apparent inconsistencies in six Federal student financial aid programs under Title IV of the Higher Education Act of 1965, as amended in 1972: Basic Educational Opportunities Grants (BEOG); Supplemental Educational Opportunity Grants (SEOG); State Student Incentive Grants (SSIG); College Work-Study (CWS); National Direct Student Loans (NDSL); and Guaranteed Student Loans (GSL). The analysis examines issues that relate to one or more of these student aid programs and reviews both the language of the statute itself and Office of Education (OE) regulations governing the individual programs (as of May, 1974).

I. INTRODUCTION

Student aid is likely to be the focus of Congressional scrutiny and debate when the Higher Education Act is reconsidered during the next year. The Chairman of the House Special Subcommittee on Education has already begun "a thoroughgoing study of the entire student assistance program seeking to present to the House an entirely new student assistance package well before the existing law expires on June 30, 1975." [1]

The focus on student assistance continues the basic thrust of the Education Amendments of 1972 which placed principal emphasis on aid to students. The Amendments increased authorizations for old student aid programs and made provisions for new ones. The importance Congress attached to the goal of equalizing opportunity through direct aid to students is also reflected in the form the Amendments gave to institutional support: payments to institutions under Title IV largely follow the Federally aided student. Budgetary trends since 1972 have reinforced the emphasis on student assistance. Excluding the category of research support, about 78 percent of all Federal higher education funding (outlays) proposed for FY 1975 is in the form of student aid, compared to an estimated 74 percent in the past fiscal year and 72 percent in FY 1973. Under the Office of Education, approximately 90 percent of the FY 1975 higher education budget—and 33 percent of OE's total budget—is student assistance.

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[1] The recently enacted Public Law 93-380 automatically extended The Higher Education Act until June 1976.

Whether the Congressional committees decide merely to refine and extend or to make major changes in the Title IV student aid programs, it is important that Congress resolve the bewildering complexity which now characterizes these programs. The complexity, stemming from the legislation itself and ensuing regulations, might well account for some of the confusion and lack of understanding that plagues institutions, students and the public about the Federal student assistance effort.

Like much Federal legislation, Title IV has developed by accretion; it is the packaged accumulation of separate programs launched and periodically revised over a decade and a half. The process began in 1958 when Sputnik induced the first major breakthrough in Federal student aid not tied to military service—the authorization and funding of direct, low-interest loans for undergraduate and graduate students through the National Defense Student Loan program (NDSL).[2] College Work-Study (CWS), a program to aid low-income undergraduate and graduate students, was added in 1964 as a part of the War on Poverty legislation—later transferred by the Higher Education Act of 1965 to the Office of Education. The same Act provided Educational Opportunity Grants (EOG), the first need-based scholarship assistance from the Federal government for undergraduate students.[3] All three, EOG, CWS, and NDSL, became known as campus-based programs since funds were allocated to institutions of higher education for distribution to eligible students.

The Guaranteed Student Loan program (GSL) was also authorized in 1965 to aid students from middle income families by providing loans of convenience from commercial lenders, state loan agencies and in some cases institutions of higher education.

The concept of a basic entitlement to direct Federal grants was widely discussed in the late 1960's and finally took hold in the Education Amendments of 1972 in the form of the Basic Educational Opportunity Grants program (BEOG). The underlying philosophy of BEOG is to award grants directly to all eligible undergraduate students wherever they live or attend college, unlike the campus-based programs that channel monies to students through participating institutions. The State Student Incentive Grants program (SSIG) was also added in 1972, promising a new state-Federal partnership in aiding needy undergraduate students.

In 1972, all of these student aid programs were brought under Title IV of the Higher Education Act. But putting separate programs in one part of the statute does not necessarily make a coherent whole, as we shall see.

II. INTENT OF TITLE IV

Title IV as amended in 1972 begins without any clear statement of purpose or goals. Instead the "Statement of Purpose" is essentially a table of contents.

> "TITLE IV—STUDENT ASSISTANCE
>
> "PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION
>
> "STATEMENT OF PURPOSE; PROGRAM AUTHORIZATION
>
> "SEC. 401. (a) It is the purpose of this part, to assist in making available the benefits of postsecondary education to qualified students in institutions of higher education by—
>
> "(1) providing basic educational opportunity grants (hereinafter referred to as 'basic grants') to all eligible students;
>
> "(2) providing supplemental educational opportunity grants (hereinafter referred to as 'supplemental grants') to those students of exceptional need who, for lack of such a grant, would be unable to obtain the benefits of a postsecondary education;
>
> "(3) providing for payments to the States to assist them in making financial aid available to such students;
>
> "(4) providing for special programs and projects designed (A) to identify and encourage qualified youths with financial or cultural need with a potential for postsecondary education, (B) to prepare students from low-in-

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[2, 3] In 1972, NDSL was renamed the National Direct Student Loan Program and EOG was modified and renamed the Supplemental Educational Opportunity Grant Program (SEOG).

come families for postsecondary education, and (C) to provide remedial (including remedial language study) and other services to students; and

"(5) providing assistance to institutions of higher education.

"(b) The Commissioner shall, in accordance with subparts 1, 2, 3, 4 and 5, carry out programs to achieve the purposes of this part.

The omission of a clear statement of purpose for the student aid programs under Title IV may have been intentional, the result of legislative compromise and concessions. Still, a definitive statement of goals could have added to a better understanding of the programs, their interrelationships and target populations. Furthermore, the open-ended character of the present statement of purpose may very well mean that the Commissioner of Education (by regulation) and colleges themselves (by the manner in which they administer Federal student aid) play a larger role than the Congress in determining the social purposes of Federal investments in postsecondary education.

III. INTERRELATIONSHIPS AMONG PROGRAMS

In most instances the interrelationship among the Title IV student aid programs can be inferred only from the order in which they appear in the law.

The Basic Educational Opportunity Grants Program (BEOG) is the first program. The inclusion of the word "Basic" in its title suggests, as the Conference Report on the Education Amendments of 1972 puts it, "this program . . . (BEOG) is viewed as the foundation upon which all other Federal student assistance programs are based" (p. 167).[4]

The Supplemental Educational Opportunity Grants program (SEOG) is next. Its title implies that SEOG grants should be additive to BEOG's. However, the statutory language and the legislative history permit the interpretation that SEOG is available to two groups of students: (1) those receiving a BEOG who need more help and, (2) those ineligible for a BEOG but still needing help; and this is how the Office of Education and institutions are administering the SEOG program.

The third program, State Student Incentive Grants (SSIG), appears to be an adjunct to the other programs rather than an integral part of a national program of grant aid. It bears no evident relationship to any other program in Title IV.

The sequence of the programs provides a hint that loans—the Guaranteed Student Loan Program (GSL), and the National Direct Student Loan Program (NDSL)—and aid through College Work-Study (CWS) for a student are to come after grant aid has been determined. This indication is strengthened in the case of CWS by the Section 444(a)(3) requirement that "preference (for CWS) shall be given to students with the greatest financial need, taking into account grant assistance provided such student." (Underlining supplied) Nevertheless, the relationship of work to grants is not clearly spelled out in the legislation.

The relationship of loans to other forms of student assistance is even more obscure.

In sum, the Congress has chosen to remain silent on such policy issues as whether a grant applicant must furnish some self-help (loan or work or both) or what standards guide an institution in determining which students may borrow at 3 percent (NDSL) and which students must pay 7 percent (GSL). These and similar issues are apparently left to the Commissioner of Education to decide by regulation or to institutions to decide according to their own financial aid policies and practices.

IV. ELIGIBILITY CRITERIA

The eligibility of students for financial aid under the Title IV programs, particularly the campus-based programs, is determined partly by law and partly by chance.

The law describes which institutions and which students are eligible, but if an eligible institution chooses not to participate in any of the campus-based programs (and many so choose) or does not participate in each of the programs (and many do not), then a student eligible in law is ineligible in fact.

For example, during the academic year 1973–74, 16 percent of the estimated 1141 accredited two-year colleges did not apply to participate in CWS, 23 percent were not in the SEOG program, and 40 percent did not seek NDSL monies.

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[4] The primacy of the BEOG program is somewhat obscured by Section 411(b)(4), a result of compromise in the House Senate Conference on the 1972 Bill; this section prohibits BEOG payments unless prescribed minimum appropriations are made for the three campus-based programs.

Similarly, chance is at work in the SSIG program, for states vary considerably in their scholarship policies; students therfore in identical financial circumstances, facing identical educational costs, may receive quite different levels of Federal help as well as state help, simply by accident of geography.

Institutional Eligibility.—There are two kinds of eligibility, one which determines whether an institution qualifies to administer a campus-based program, the other which determines whether the student may use his BEOG or SSIG award or GSL loan at a particular institution. The two kinds of eligibility overlap and separate in inconsistent ways, thusly:

BEOG: Under Section 411(a)(1), BEOG awards may be used only at "institutions of higher education." That term is defined at Section 1201(a) to mean the typical public or non-profit private college or university plus public or non-profit accredited schools offering one-year (or longer) occupational training programs to high school graduates. For the purposes of BEOG (and SEOG, CWS, NDSL and SSIG, but not GSL) the term also includes "proprietary institutions of higher education" offering training programs at least six months long, see Section 491(b)(3).

SEOG: Same as BEOG, see Section 413A. However, Section 413C(b)(3) adds a further condition, that the institution make "vigorous efforts to identify qualified youths of exceptional financial need and to encourage them to continue their education." (There is no apparent reason why this condition should attach to the SEOG program and not to the other campus-based programs. In any event, it would seem more appropriately placed, if anywhere, in Section 419 dealing with "Payments to Institutions".)

SSIG: Section 415A refers merely to "institutions of higher education," so eligibility is the same as that for BEOG.

CWS: Section 443(b) defines "eligible institution" as: (1) an "institution of higher education (as defined in Section 435(b) of this Act)"—which appears to be the same definition as that contained in Section 1201(a) of the Act; (2) "area vocational schools (as defined in Section 8(2) of the Vocational Education Act of 1963)" meaning for the most part schools providing high school level vocational training; and (3) a "proprietary institution of higher education (as defined in Section 461(b) of this Act)", where the reference was evidently intended to be to Section 491(b). Thus, CWS eligibility works out to be the same as BEOG eligibility, except that it makes specific reference to area vocational schools.

NDSL: Section 461 refers merely to "institutions of higher education," so eligibility is the same as that for BEOG and SSIG.

GSL: Section 435(a) defines "eligible institution" to mean "(1) an institution of higher education, (2) a vocational school or (3) . . . an institution outside the states which is comparable to an institution of higher education or vocational school . . ." Section 435(b), as noted above, defines "institution of higher education" in the same fashion as Section 1201(a), and defines "vocational school" in terms slightly different from those used to define "proprietary institution of higher education" in Section 491(b)(3), mainly in that no minimum length program is prescribed for the former, and the student need not possess a high school diploma or the equivalent, though he "must have the ability to benefit from the training offered."

One effect of these seemingly minor discrepancies among the definitions of institutional eligibility is that approximately 5,300 institutions participate in the BEOG program; 3,500 in the campus-based programs (SEOG–CWS–NDSL); and 9,000 in GSL. (Actual counts of eligible as opposed to participating institutions are not available from OE.) The discrepancies also raise such questions as why a student may borrow GSL funds and obtain an interest subsidy to attend college in Canada but may not use a BEOG or SSIG award to do so, and whether by omitting the requirement that a student be able to benefit from the training offered in a "proprietary school of higher education," but including it for a "vocational school," the Congress really intended a different standard. Furthermore, if a "proprietary institution of higher education" cannot meet the definition of a "vocational school," its students are evidently ineligible for the GSL program, though eligible for BEOG, SEOG, CWS, NDSL and SSIG. It is to be doubted that such a result was intended.

Student eligibility.—All of the programs specify the personal qualifications which lead to student eligibility, and they boil down to two: the student must be needy, and the student must be in good standing, but just what those terms mean varies from program to program.

1. The requirement of need:

BEOG: Need is nowhere mentioned (but the system prescribed for determining eligibility for grants necessarily leads to a finding of need).

SEOG: The student must have "exceptional financial need," Section 401(a)(2) and Section 413C(a)(2)(C); and "but for a supplemental grant, be financially unable to pursue a course of study" at the institution in which the student is enrolled, Section 413C(a)(2)(D).

("Exceptional financial need" is defined by the regulations at 176.11(b) to mean that "his expected family contribution does not exceed 50% of his cost of education.")

SSIG: "Grants on the basis of substantial financial need," Section 415C(b)(3). (But note that the Title IV statement of purpose may be read to state that the SEOG and SSIG programs are intended for the same caetgory of students.)

(The regulations at 192.7(a) give the states the responsibility for defining "substantial financial need" but within limits prescribed in 192.7(b), including a need of at least $90, a student or parental net income of less than $20,000, and a family contribution less than $2,800).

CWS: "Particularly students with great financial need," Section 441(a), "Preference shall be given to students with the greatest financial need," Section 444(a)(3).

(The regulations at 175.5(d) instruct that preference go to "students from low income families.")[5]

NDSL: "Students in need thereof to pursue their courses of study in such institutions," Section 461(a).

(The regulations at 144.7(b) leave to the institutions the problem of defining needs; but see 144.7(f) which requires that "special consideration shall be given to students with superior academic backgrounds.")

GSL: There is no need requirement for a GSL loan as such, nor to obtain the interest premium authorized by the Emergency Insured Student Loan Act of 1969—an amount now equal for all GSL recipients to $30 per year per $1000 of principal. There is a need requirement for interest subsidy while in student status (see discussion under Determination of Need).

It is clear from the above that the need language varies in apparently random ways, thus introducing confusion among the programs and in the regualtions, a confusion that extends to administrators of the programs as well as to the intended beneficaries—the students.

2. The requirement of good standing:

BEOG: Section 411(a)(1) requires that the student "has been accepted for enrollment in, or is in good standing at, an institution of higher education (according to the prescribed standards, regulations and practices of that institution)."

The regulations at 190.2(k) are identical, except that the statutory word "regulations" is omitted.

SEOG: The applicant must not only meet the standard required of BEOG applicants, but he must also show "evidence of academic or creative promise and capability of maintaining good standing" under Section 413C(a)(2)(B), and he must maintain "satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution" under Section 413B(b)(2)(A).

The regulations at 176.11(a)(B) merely repeat the statutory requirements. In the administration and OE monitoring of SEOG, there is no evident attempt to enforce the academic or creative promise provision.

SSIG: Makes no mention of "good standing."

CWS: Section 444(a)(3)(B) requires the applicant to show "evidence of academic or creative promise and capability of maintaining good standing.'"

The regulations at 175.2(k) make clear that it is the institution's own standards for good standing which are to apply.

NDSL: Section 464(b)(2) requires a finding that the applicant "is capable, in the opinion of the institution, of maintaining good standing" and (b)(3) adds that if he is already attending, he must be "in good standing." The same section prohibits loans to a student who "thereafter fails to maintain good standing."

The regulations at 144.2(20) again make clear that it is the institution's standards which are to apply.

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[5] The 1972 Amendments deleted reference in CWS to low-income students, but since then the Office of Education has not issued new regulations for either Work-Study or NDSL. Thus regulations cited here and elsewhere for these two programs predate 1972.

GSL: Section 427(a)(1)(A) requires acceptance for enrollment, or if already attending, "good standing there as determined by the institution."

The regulations at 177.2(b)(1) repeat the requirement.

The minor variations with respect to "good standing" probably have no practical effect, which in itself is reason enough to eliminate them. The SEOG and CWS further requirement of "academic or creative promise" is not uniformly applied and seems unnecessary.

V. DETERMINATION OF DOLLAR NEED

Currently most Federal, state, and institutional funds for student assistance are distributed on the basis of some assessment of need. Need is most commonly determined by subtracting from the costs of attendance the amount that the family and the student can reasonably be expected to contribute to those costs.

Cost of attendance.—Each of the student assistance programs requires a determination of the student's cost of attendance. This requirement appears in the statute in the case of the BEOG and GLS programs and by regulation for the others.

BEOG: Section 411(a)(2)(B)(iv) refers to "actual cost of attendance" and defines it as the "actual per-student charges for tuition, fees, room and board (or expenses related to reasonable commuting), books, and an allowance for such other expenses as the Commissioner determines . . . to be reasonably related to attendance" at the student's own institution.

There are currently no new BEOG regulations for the academic year 1974–75, but a May 1974 issuance by the OE Director of Basic Grants defines tuition and fees as "the amount charged the student for tuition and fees that is generally charged to a particular class of students of which the applicant student is a member," in keeping with the regulations for 1973–74. For 1974–75 room and board costs are "the actual amounts charged the applicant"—or $1100 for students living and eating off-campus—and these plus $400 for "books, supplies, and miscellaneous expenses" along with tuition and fees, make up the BEOG cost of attendance."

SEOG: *Regulations at 176.10 differ from BEOG in explicitly allowing transportation costs plus expenses "related to maintenance of a student's dependents."*

SSIG: *Regulations at 192.2 "'Cost of education' means the cost of education as defined by each state."*

CWS: *Regulations at 175.5(c) mention cost of attendance without defining it, leaving to each institution the obligation "to determine the cost reasonably necessary for the student's attendance at the institution, including any special needs and obligations which directly affect the student's financial ability to attend the institution on a full-time basis."*

NDSL: *Regulations at 144.7(b), same as CWS, except the words "on a full-time basis" are omitted.*

GSL: Section 428(a)(2)(C)(i) defines "estimated" rather than "actual" cost of attendance, as "the tuition and fees applicable to such student together with the institution's estimate of other expenses reasonably related to attendance at such institution, including, but not limited to, the cost of room and board, reasonable commuting costs, and costs for books."

Query whether the GSL language "tuition and fees applicable to such student" means the same thing as "actual per-student charges" in the BEOG definition; and why "estimated" costs under GSL and "actual per-student" costs under BEOG, since both may involve determinations before the start of the student's academic year?

With the possible exception of the SSIG program, it ought to be possible, and certainly would be useful, to establish a uniform and simple method for calculating "cost of attendance." If there are to be different costs to be recognized in different programs, the differences should be rational and explicable.

Expected family contribution. Each of the student assistance programs requires a determination of the student's own or family contribution to educational expenses, but each program differs in some particular from every other one:

BEOG: Section 411(a)(3)(B)(ii) "The basic criteria . . . with respect to expected family contributions are as follows:

> "(I) The amount of the effective income of the student or the effective income of the student's family.
>
> "(II) The number of dependents of the family of the student.
>
> "(III) The number of dependents of the student's family who are in attendance in a program of postsecondary education and for whom the family

may be reasonably expected to contribute for their postsecondary education.

"(IV) The amount of the assets of the student and those of the student's family.

"(V) Any unusual expenses of the student or his family, such as unusual medical expenses, and those which may arise from a catastrophe."

Section 411(a)(3)(B)(iii) defines "effective family income" as "adjusted family income . . . minus federal income tax paid or payable with respect to such income."

Section 411(a)(3)(C) directs the Commission to promulgate appropriate "family contribution" regulations for independent students.

The pending regulations at 190.31 et seq are consistent with the statutory criteria. The only "unusual expense" which the Commissioner has added to the statutory examples is dental expense.

SEOG: Section 413(C)(a)(2) "Any calculation of the ability of a family to contribute shall include consideration of (i) family assets which should reasonably be available for such purpose, (ii) the number of children in the family, (iii) the number of children attending institutions of higher education, (iv) any catastrophic illness in the family, (v) any educational expenses of other dependent children in the family, and (vi) other circumstances affecting the student's need." (Underlining supplied.)

The pending regulations at 176.12(b) are consistent with the statutory criteria and make explicit that family "income," not just "assets," is to be considered. But whereas the BEOG family contribution must be calculated according to the Commissioner's schedule, the SEOG contribution may be calculated using either the BEOG schedule or those published by the American College Testing Service and the College Scholarship Service, or the Income Tax System (dependent students only), see 176.14.

SSIG: The statute does not mention "family contribution."

The regulations at 192.2 define it to mean the sum of amounts which reasonably may be expected from the student and his spouse . . . and the amount which reasonably may be expected to be made available to him from his parents."

The states are responsible for establishing criteria for family contributions, which will be approved by the Commissioner if they include "(1) any serious family illness, (2) the number of dependent children of the student's parents, (3) the number of such dependent children attending institutions of higher education, and (4) such other circumstances as may affect the ability of the student and the student's parents to contribute . . ." 219.8a). (Italics supplied.)

As with SEOG, the state may use the BEOG, ACT, CSS or Income Tax System schedules; it may also use any other schedule which produces "reasonably comparable" results. 192.8(c) and (d).

CWS: The statute does not mention "family contribution."

The regulations at 175.5(c)(2) require the institution to "calculate according to standards published from time to time by the Commissioner what portion of the income, assets, and resources of the student's family may reasonably be expected to be made available to the student."

NDSL: The statute does not mention "family contribution," except that Section 464(e) provides that in determining a veteran's need, "an institution shall not take into account the income and assets of his parents," thus inferentially requiring it to do so in the case of non-veterans.

The regulations at 144.7(b) require the institution "where appropriate" to consider "the income, assets and resources of the applicant's family . . . in accordance with the policies and procedures established by the institution . . ."

GSL: There is no "need" requirement to qualify for an insured loan and hence the concept of family contribution is irrelevant. There is a "need" requirement to qualify for the interest subsidy or forgiveness while a student. If the student's adjusted family income (in the year preceding the year of the loan) is less than $15,000, and the total of insured loans made to the student in the current year does not exceed $2,000, the student qualifies for the interest subsidy without regard to family contribution, Section 428(a)(2)(B)(i)(I).

If adjusted family income exceeds $15,000, or if the loan would take the borrower above the $2,000 limit, the student still may qualify for the interest subsidy but only if the institution so recommends. In such cases, Section 428(a)(2)(C)(iv) requires calculation of the expected family contribution, except that the BEOG eligibility index may not be used.

The 1970 regulations have not yet been revised to include the prohibition just mentioned. They permit, at 177.2(c)(2), the ACT, CSS and Income Tax systems for computing the family contribution, plus the Alternate Income System, plus *any other method producing results "which are, on the whole, not dissimilar . . ." Institutions are enjoined to "make appropriate adjustments to the results reached under any of the approved methods so as to consider more meaningfully the individual circumstances of the student involved and, where applicable, his parents or spouse."*

It is not at all clear why in the SEOG program and in no other, the children of a student should be counted twice, once in computing the "cost of attendance" (See SEOG, p.12) and again in computing the "expected family contribution"; nor why sibling costs for attending private elementary and secondary schools should be explicitly acknowledged in the SEOG program but in none of the others, nor why "unusual expenses" should be tightly defined in the BEOG program and broadly defined—or not even mentioned—in all the others; nor why the BEOG schedule is bad for GSL purposes and good for SEOG and SSIG purposes.

The result of the foregoing anomalies, plus others in the law, is that students with identical family incomes and expenses can have differing determinations of need at identically priced institutions; and even within a single institution a student participating in more than one Federal student assistance program could have different expected family contributions for each program .

VI. PERIOD OF ATTENDANCE

The BEOG and SEOG programs limit eligibility for the receipt of awards to four years, but permit a one year extension in three circumstances: (1) for both programs, when the student is in an academic program designed to last five years; (2) in the BEOG program, when the institution requires the student to enroll in a non-credit remedial program; and (3) in the SEOG program, whenever the institution decides a student needs an additional year of study, whether for credit or otherwise. The differences seem unjustified.

VII. ALLOTMENTS

To States.—Statutory formulas determine for the campus-based programs (SEOG, CWS and NDSL) the amount of funds each state receives for subsequent allocation to institutions within its borders. Under current law, 10 percent of appropriated funds in each of these programs may be distributed to states and institutions within states at the discretion of the Commissioner of Education. For the remaining 90 percent, the state allocation formula is different for each program. SEOG funds are allocated on the basis of full-time and part-time students in each state, while the NDSL formula is based on full-time students only. The CWS formula has three equally weighted components: full-time post-secondary students, high school graduates, and children under 18 coming from improverished families (defined as families with incomes of less than $3,000.)

There is substantial question about the appropriateness of state allotments. The April 4, 1974 General Accounting Office (GAO) report, "Administration of the Office of Education's Student Financial Aid Programs" demonstrated that the present allotment system is subject to abuse, and is in fact abused by institutions practicing grantsmanship and inflating their requests to compensate for expected reductions in state allocations. In the words of the Comptroller General of the United States, the present system is "not equitable." The result is an unfair and differing impact on like individuals in different states, a characteristic hardly in keeping with Federal programs intended to bring about nationwide equity. Furthermore, the amount the states receive relative to their OE approved requests for funds varies widely as a result of the allotment formulas. For example, in 1973–74 twenty-three states received only 42.6 percent of their approved requests for Supplemental Educational Opportunity Grants, while twenty-eight states did varyingly better, including one at 100 percent; for National Direct Student Loans one state received only 18.1 percent while three states were at 100 percent; for College Work-Study the range was from 45.2 percent to 79 percent.[*] (See Appendix B for each state's percentage of panel requests in each of the three campus-based programs for the academic year 1973–74).

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[*] Under SEOG and Work-Study the Commissioner has used the 10 percent set-aside to bring a number of states that would have been funded at very low levels up to at least a minimum percentage of their panel approved requests. Thus in 1973–74 twenty-four states were funded at 42.6 percent of their SEOG requests and 19 states at 45.2 percent of their Work-Study requests.

It is not clear, however, that the elimination of state allotments would lead to greater equity in the distribution of funds to needy students, particularly if states were bypassed and allotments went directly to institutions based upon their individual requests for funds. It has been argued quite persuasively that some type of state allotment, despite its inherent weaknesses, is preferable to the increased grantsmanship that might ensue if each institution were competing with all other institutions in the nation for the limited resources available for the campus-based programs.

But if state allotments are deemed unavoidable, is it necessary to have three different formulas? In the 1972 House-passed bill, the allotment schemes were consolidated into one, using the CWS formula. The consolidation did not survive in conference, but perhaps the next legislative round will permit consideration of a single allotment formula, whether that of the CWS or some other.

If three separate formulas are continued, still there is no reason to retain the provision, unique to the SEOG program, that the full-time equivalent of part-time students should be counted. This provision means that ineligible students—those attending less than half time—are counted in computing a state's share of the SEOG appropriation. On the other hand, CWS and NDSL allotment formulas disregard all part-time students, including those half-time students who are eligible for the programs. Finally, SEOG allotments are based on total enrollments, thus counting graduate students, although SEOG (unlike CWS and NDSL) is a program restricted to undergraduates.

To institutions within States.—Under all three campus-based programs, each institution receives a fraction of the state allocation equal to its share of requests approved by OE appointed regional Panels. Thus, if a states' allocation is 60 percent of its panel approved requests, each institution in that state will receive 60 percent of its own approved requests.

In the case of the SEOG and CWS programs, the authority for the use of regional panels is clear. In both instances the Commissioner is authorized to prescribe criteria designed to achieve such distribution of funds within a state as will most effectively carry out the purposes of the program. (But, oddly, only the SEOG provisions require the criteria to be "equitable.")

The NDSL program is a different matter. Similar authority is not accorded the Commissioner; in fact, Section 462 of the Act explicitly directs the Commissioner to pay the institution the amount it requests unless the state allotment is insufficient, in which case each request is ratably reduced. This provision has never been followed.

VIII. TREATMENT OF PART-TIME STUDENTS

Before the 1972 amendments, part-time students were included only in the GSL and NDSL programs. The Senate bill made them eligible for BEOG and SEOG grants, while the House bill made them eligible for CWS. As a result of conference action, the 1972 Amendments now permit part-time students to participate in all of the programs, if they are attending at least half-time (although the FY 1974 Appropriations Act limits BEOG participation to full-time students).

The statutory references to part-time students vary in meaningless ways:

BEOG and SSIG: Both require only that the student be "in attendance," which is defined in Section 491(c)(2) to mean "at least on a half-time basis, as defined by the Commissioner."

SEOG: Section 413B(b)(2)(B) ". . . is devoting at least half-time to [a] course of study during the academic year, in attendance . . ."

CWS: Section 444(a)(3)(C) ". . . has been accepted . . . on at least a half-time basis or . . . is in attendance there on at least a half-time basis . . ."

NDSL: Section 464(b)(4) ". . . is carrying at least one-half the normal academic workload as determined by the institution."

GSL: Section 427(a)(1)(B) ". . . is carrying at least one-half of the normal full-time workload as determined by the institution."

Where the period of eligibility of a student is limited, as in the BEOG and SEOG programs (see V. Period of Attendance p. 14), no additional period is authorized for part-time students, although it can be assumed that simply because of their enrollment status they must take a longer time to complete their requirements. There seems no reason not to permit the Commissioner of Education or institutions (in the case of SEOG) to extend appropriately the eligibility of part-time students.

Annual and aggregate grant ceilings in the statute are the same for part-time as they are for full-time students. The Congress may wish to consider whether this causes an unintended distortion favorable to the former.

IX. TREATMENT OF SOCIAL SECURITY AND SIMILAR PAYMENTS

The BEOG program provides that in determining a student's expected family contribution, amounts paid under the Social Security Act because he is a student must be counted. The provision causes difficulty because the Social Security Act pays less for the second child in the family than for the first, less for the third than for the second, and nothing additional for more than three children. It is not clear, therefore, how much of the total payment should be attributed to a child who is a student.

Furthermore, there are a number of other laws under which benefit payments are made after a child reaches 18, contingent on his remaining in school, e.g. the Coal Mine Health and Safety Act, the Longshore and Harbor Workers' Compensation Act and the Federal Employees Compensation Act. It is likely that similar provisions appear in at least some state workmen's compensation laws. If it is wise and fair to count Social Security payments, then all similar payments should likewise be counted.

X. TREATMENT OF VETERANS

Title IV deals with veterans, but again, not consistently.

The BEOG program provides for counting only half the payments made as an educational assistance allowance, either because of the veteran's own service or as the widow or child of a person who died of a service-connected disability (or is totally disabled therefrom); but it omits the same favorable treatment to subsistence allowances for veterans undergoing rehabilitation.

No special consideration is given veterans under the SEOG program.

The CWS program has a provision under which veterans of service in the Far East during the Vietnam period are given preference for participation in community service learning programs.

In determining financial need under the NDSL program, no consideration may be given to the income or assets of a veteran's parents, even though the veteran may be a fully supported dependent, and irrespective of whether his service was in war or in peace, voluntary or involuntary.

Service in the Armed Forces (if in a hostility pay area) results in cancellation of up to half an NDSL loan but not of a GSL loan. It is not clear whether the service must follow the date of the loan; the statute seems to require only that it be after June 30, 1972, see Section 465(a)(1). (The same applies to the loan cancellation provisions for other kinds of public service.)

This patchwork of provisions relating to veterans needs to be rationalized.

XI. FINAL NOTE

There are several other technical problems with Title IV not discussed in this analysis that have long since been identified and, in some cases, corrective legislation has already been introduced; e.g. the timetable for annual adoption of a BEOG Family Contribution Schedule; the treatment of Social Security education benefits as income to the family rather than to the student; and the awkward funds management problem at the institutional level occasioned by the 1972 requirement of separate appropriations for initial and renewal SEOG grants.

Undoubtedly there are still other technicalities and inconsistencies beyond those mentioned in this paper which will in time be identified by Congress, the Office of Education and others.

Quite deliberately, this paper has touched on but not probed major policy issues, nor does it contain recommendations concerning the Federal role in financing postsecondary education in our society. The House and the Senate over the next year or so will be confronting difficult substantive questions: who should pay the cost of college and how much; who should receive a Federal subsidy for attending college; who should administer that subsidy; and whether the turn taken in the Higher Education Amendments of 1972 should be reversed or reconfirmed. The answers to such questions, never easy, will at least be made a little less difficult if the Congress, by dealing with the technical problems described in this paper, clarifies the statutory framework which must support the ultimate policy decisions.

APPENDIX A

BRIEF DESCRIPTION OF TITLE IV PROVISIONS

Title IV of the Higher Education Act of 1965, as amended in 1972, contains the six major student financial assistance programs discussed in this analysis. Each of the programs is administered by the Office of Education (OE). Brief descriptions follow:

Basic educational opportunity grants program (BEOG—Part A, subpart 1)

A program of direct grants to eligible undergraduate students entitling them, at full funding, to a maximum grant of $1400 minus the expected family contribution or one-half the actual cost of attendance at any approved institution of post-secondary education, whichever is less. The philosophy of Basic Grants is to award funds directly to all eligible students wherever they live or attend college, unlike the SEOG, CWS and NDSL programs that channel moneys to students through participating institutions. When appropriations for the BEOG program fall short of the sum required to meet all entitlements, individual grants are adjusted through reduction formulas specified in the statute. At full funding, the minimum grant is $200; at less than full funding, the minimum is reduced to $50. No grant may exceed the student's need, which is defined as the cost-of-attendance minus the amount which the family and student are expected to contribute. The expected contribution is determined according to regulations issued by the Commissioner of Education.

Supplemental educational opportunity grants (SEOG—Part A, subpart 2)

A program providing funds to institutions of postsecondary education to be awarded to undergraduate students of "exceptional financial need." The maximum annual grant per student is $1500; total awards to an individual student during the undergraduate years may not exceed $5000. No annual grant may exceed one-half the sum of the amount of financial aid provided to the student from all sources. SEOG monies are distributed to postsecondary institutions on the basis of their applications for funds and statutory formulas which determine the proportion of funds available for distribution to individual states. Institutions, in turn, distribute SEOG awards to needy students according to the Federal statutes, Office of Education regulations and guidelines and their own student assistance policies.

State student incentive grants (SSIG—Part A, subpart 3)

A program providing 50 percent Federal matching grants to the states to encourage new and expanded state scholarship programs for undergraduate students selected "on the basis of substantial financial need" (determined according to criteria established by the state and approved by the Commissioner of Education). The annual grant to a student (including both the Federal and state shares) may not exceed $1500. Funds are divided among the states according to statutory formula. A state's allotment is used to match those state expenditures for need-based student grants which represent an increase in funding over a specified base year. Any unused allotments are redistributed among the participating states.

College work-study (CWS—Part C)

A program of Federal grants to institutions to meet 80 percent of the costs of providing part-time employment opportunities for undergraduate and graduate students, particularly students with "great financial need." Such employment must be "in work for the institution itself (except in the case of a proprietary institution of higher education) or work in the public interest for a public or private non-profit organization." The distribution of College Work-Study funds parallels the procedures under SEOG (though the state allotment formula for CWS is different). Institutions may transfer up to 10 percent of their CWS allotment to SEOG and vice versa.

A related but separate provision under Part C of Title IV is the Work Study for Community Service Learning Program, which authorizes the Commissioner to make grants to public or private non-profit agencies which agree to provide jobs for needy postsecondary students in such fields as environmental quality, health care, welfare, public safety, crime prevention and the like. Preference must be given to needy Vietnam era veterans and the employment must offer the "maximum potential both for effective service to the community and for enhancement of the educational development of such students." This provision, added in 1972, has not been funded.

National direct student loans (NDSL—Part E)

A program providing funds to institutions to enable them to make low interest loans to needy postsecondary students, both graduate and undergraduate. Loans bear 3 percent interest, beginning after the student borrower has completed his schooling—deferred for up to 3 years during service in the military, the Peace Corps or VISTA. Partial cancellation of the loan obligation is provided for teachers serving in school districts with high concentrations of economically disadvantaged students, teachers of the handicapped, pre-school teachers in Head Start programs, and for military service in a combat zone. Loan ceilings are $10,000 aggregate for graduate students (including their undergraduate loans) and $5,000 for all other students; there is no annual loan maximum. The distribution of funds to the institutions follows the same pattern as under the SEOG program. Participating institutions must make a contribution of loan capital equal to at least 1/9 of the amount of the federal contribution. (Section 207 of the old National Defense Educational Act authorized special loans to institutions that need help in providing their matching share for NDSL. This provision was not carried over to the Higher Education Act by the Education Amendments of 1972. HEW Counsel, however, has ruled that the old provision of NDEA still applies and there has been no interruption in the loans to institutions—$2 million annually.

Guaranteed student loan program (GSL—Part B)

A program of Federal insurance and reinsurance on loans made to postsecondary students. Students apply for the loans at an eligible lending institution, which can be a bank, savings and loan association, insurance company, credit union or postsecondary institution. The lender makes the loan directly to the student and is protected against loss either by a state or private non-profit guarantee agency or by direct Federal insurance. In the case of most guarantee agencies, the Federal government also provides reinsurance on claims that they pay to lenders. Undergraduate and graduate students are eligible for Guaranteed Loans up to a maximum of $2,500 per year and an aggregate of $7,500 for undergraduate students and $10,000 for graduate students (including their undergraduate loans). The maximum rate of interest is 7 percent. However, to make the loans more attractive to lending institutions during times of tight money, the government is authorized to pay a special allowance to lenders of up to 3 percent on each loan over and above the 7 percent chargeable to the student borrower (the precise rate of the special allowance is set quarterly at the discretion of the Secretary of HEW). For most GSL borrowers, the 7 percent interest obligation begins on or after completion of their schooling; prior thereto it is paid by the Federal government.

Other provisions of title IV

This analysis has dealt only with the student financial aid provisions of Title IV. However, Title IV also incorporates authorization for:

Special programs for students from disadvantaged backgrounds (Part A, Subpart 4), designed to "identify qualified students from low income families to prepare them for a program of postsecondary education, and to provide special services for such students who are pursuing programs of postsecondary education." These programs include Talent Search, Upward Bound, Special Services, and (newly authorized in 1972) Educational Opportunity Centers.

Assistance to Institutions of Higher Education (Part A, Subpart 5), which authorized "cost-of-education payments" based on the number of GEOG recipients enrolled at each eligible institution; the amount of funds received by its students under SEOG, Work-Study and NDSL; and the number of graduate students enrolled. The administrative problems and peculiarities in the provisions governing this program (which has yet to be funded and implemented) are the subject of a separate analysis by the Washington Office of the College Board (June, 1974).

Cooperative Education (Part D), a program of grants to institutions for interspersing career-related employment programs with academic study. Authorized and funded on a small-scale ($10.8 million). Cooperative Education provides small grants (not exceeding $75,000) to institutions of higher education for developing programs that enable students to alternate periods of full-time academic study with periods of full-time outside employment. The work periods are intended both to afford students an opportunity to earn funds required for completing their education and also to give them work experience related to their academic or occupational objective. Wages are paid in full by the employer. Special grants are authorized for research and demonstration projects exploring the feasibility or value of innovative methods of Cooperative Education.

PERCENTAGE OF PANEL APPROVED REQUESTS ALLOCATED TO EACH STATE IN EACH OF THE 3 CAMPUS-BASED STUDENT AID PROGRAMS—1973-74

[In percent]

State	SEOG	CWS	NDSL
Alabama	42.6	47.0	36.0
Alaska	42.6	45.2	31.2
Arizona	53.0	68.5	50.5
Arkansas	45.1	69.0	100.0
California	43.5	45.2	44.[illegible]
Colorado	43.7	45.2	45.7
Connecticut	62.2	67.4	50.5
Delaware	54.8	74.1	63.2
District of Columbia	42.6	45.2	41.9
Florida	53.9	72.1	63.1
Georgia	42.6	74.0	57.8
Hawaii	100.0	73.3	100.0
Idaho	61.1	47.5	99.3
Illinois	42.6	45.2	48.4
Indiana	42.6	68.3	39.4
Iowa	42.6	56.8	40.0
Kansas	50.5	57.7	69.4
Kentucky	44.3	72.4	71.0
Louisiana	42.6	67.9	73.7
Maine	42.6	45.2	18.1
Maryland	47.0	65.9	51.4
Massachusetts	42.8	45.2	34.5
Michigan	42.6	46.5	49.9
Minnesota	42.6	45.2	37.5
Mississippi	42.6	55.8	57.9
Missouri	52.2	57.9	65.7
Montana	44.4	45.2	91.8
Nebraska	50.2	65.9	88.2
Nevada	54.6	45.2	56.8
New Hampshire	42.6	45.2	23.1
New Jersey	48.1	67.0	56.5
New Mexico	42.6	53.3	52.6
New York	42.6	50.9	42.8
North Carolina	42.6	61.6	61.2
North Dakota	42.6	45.2	33.9
Ohio	42.6	63.5	50.5
Oklahoma	42.7	49.6	61.4
Oregon	43.8	45.2	43.8
Pennsylvania	53.7	71.1	62.0
Rhode Island	42.9	45.2	30.4
South Carolina	42.6	78.9	51.4
South Dakota	42.6	49.9	39.8
Tennessee	43.7	64.6	57.8
Texas	48.8	63.6	96.6
Utah	66.8	60.8	100.0
Vermont	42.6	45.2	35.2
Virginia	47.9	64.3	62.2
Washington	42.6	45.2	36.6
West Virginia	42.6	45.2	73.3
Wisconsin	42.6	45.2	37.4
Wyoming	43.8	45.2	71.3

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